



Expand Trade Area and Grow Sales with Research Data

BY PATRICIA CUMBIE

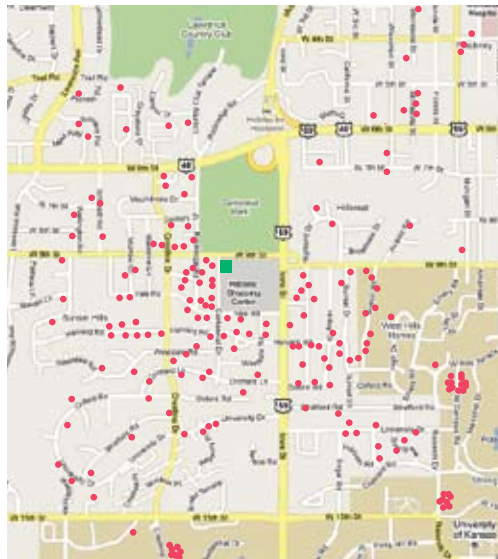
Good stories often start in the middle of the action. That's where the good research you can use to build sales starts, too. Getting data on your current customers always starts with one primary activity: their shopping habits in your store. With that information you can validate your hunches and learn many things you didn't know about your customers.

As retailers look at ways to increase the bottom line in a tough economy, customer research is invaluable. It is a cost-effective way to help you make smarter decisions that will ensure your marketing and promotions dollars are well spent. You gain insights into one of the most prized and elusive aspects of retailing—customer loyalty—and learn how your operation stacks up against the competition.

There are many different ways to look at using data to help with business decisions, but it's important to distinguish up front what you want and need to know, and how commissioning a survey can assist your efforts. "Customer" research is defined as what you do to learn more about your current customers' shopping habits and attitudes. "Consumer" research is what you do when you want to know more about those who are not currently your customers and find out why.

Customer Research

Debbie Suassuna is a location and site analysis consultant for CDS Consulting Co-op, and she advises that a key step before undertaking more in-depth customer or consumer research is to do a Customer Address and Transaction (CAT) survey. This survey is conducted by asking store customers where they live and how much they spent on their particular shopping trip. It sounds



quite simple, but the data gathered from those two questions can tell you a lot about your business, and give you different views into your co-op's performance in a number of areas.

The information gathered from a CAT survey can determine your store's sales distribution and your current trade area. By defining your geographic trade area, you can then map out how many competitors are in your trade area. With this information you can determine if you are drawing customers past your competitors, or if your competitor is drawing people away from yours.

Suassuna said that with geographic trade area information, you can further investigate lifestyle or demographic characteristics of the customers in your trade area, and become better equipped to reach them. The CAT survey can also add on other questions; for example, whether the shopper is a member or not, or where they are coming from. "I'd especially ask this if my business was

Facts Are Key

One of the most interesting aspects of working in the food co-op sector is getting good information about consumer attitudes and behavior, and seeing trade area data. When I worked as a food co-op member services and marketing director, it helped immensely to know those big and small details—what percent of people bought prepared foods or traveled by bike to the co-op—and how many households were already shopping within a two-mile radius of the store. That information was imperative to thinking about our customers' needs, or potential ones. It helped the co-op determine where we'd spend our precious marketing and outreach resources, and clarify the reasons we were doing so.

Eric Stromberg, general manager of Davis Food Co-op, said that the number-one reason he does regular research is to gain confidence. A lot of us know our customers pretty well; it's one of the benefits of the cooperative system because transparency allows for a lot of give and take. However, in most business situations it's erroneous to make assumptions. Getting factual information can help you streamline your decision-making process and strengthen your efforts at reaching out.

The CDS Consulting Co-op group is committed to helping food cooperators get the information they need to not only build sales, but demonstrate to the community that the co-op is truly looking out for their best interest as a consumer. —Patricia Cumbie

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Our Mission

CDS Consulting Co-op is dedicated to building and strengthening cooperative businesses by providing consulting, training and development services.

CDS Consulting is a network of independent professionals experienced in developing cooperatives. Our consultants have worked on over 500 projects and will tailor our services to fit your needs and provide solutions.

Board Leadership Development

- CBLD—Cooperative Board Leadership Development
- Board training and facilitation
- Hire, evaluate and compensate your GM
- Policy Governance® and Accountability
- Member owner linkage

Expansion and Relocation

- Expansion planning
- Financial pro forma
- Capitalization and member loans
- Business strategy
- Market, location and site analysis
- Trade area and market penetration analysis
- Project management
- Store planning and design
- Consumer research

Improving Operational Performance

- Business planning, goal setting and monitoring
- Audit and strengthen operational systems
- CoCoFiSt workshops
- Margin enhancement
- Labor controls
- Merchandising
- Management training, coaching, and support
- Customer service training
- Employee surveys
- Human resource systems—assessment, planning and training
- Supervisory skills and training

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near downtown or a university. Are they coming to shop from home, an office or a school? Are they shopping because they are maximizing trips with another business nearby? All this CAT data represents an opportunity for retailers to do sales promotions that will be most effective," she said.

Additionally, one of the most invaluable pieces of information from a CAT survey is finding gaps or pockets of underperforming sales in your trade area, and this is often something you can't learn by intuition, nor make assumptions about. "This is the one thing that often surprises general managers. Sometimes there isn't an obvious reason for why one area is underperforming," Suassuna said. "Once you have that info it will weigh heavily on the promotions you choose, either to put more dollars into existing strong customer areas, or reach out to new ones."

Most food co-ops also do some kind of customer research in the form of member surveys. Suassuna believes doing them every other year is important, although she pointed out that the results of member surveys are often biased positively because the respondents are usually people who already like your store.

Consumer Research

It's the underperforming pockets in a trade area that generally encourage retailers to take the next step in their data-gathering. You'll want to find out from consumers at-large why they are not shopping in your store, especially if your trade area seems to have the right demographic, but is not reaching maximum sales performance levels in certain areas.

There are lots of methods for conducting this sort of consumer research: telephone surveys, mailings, focus groups, etc. and depending on your budget and the scope of your approach, retailers can do some of it themselves. For example, getting household phone numbers in a zip code or trade area and calling to find out general perceptions of the food co-op. Although Suassuna said reasons stores underperform in certain areas may vary, they are generally related to these four things:

It's the underperforming pockets in a trade area that generally encourage retailers to take the next step in their data-gathering.

The co-op is suffering from a lack of consumer awareness.

Most consumer research shows the vast majority of people find out about a retailer by driving or walking by. A co-op may not be visible enough, either through its geographic location and/or outreach efforts.

The consumer doesn't understand "co-op."

Misinformation can hold people back from shopping at the co-op. "This would be a case where you'd want educate people about the services and values of the co-op," Suassuna said.

Perception of high prices. It's important to correct any misperceptions and promote the value of shopping at the co-op (i.e. emphasize your competitive advantage) with that group of people, Suassuna noted.

Already familiar with a different store. "Sometimes it's just human nature. People don't want to change or switch," Suassuna said, "You'll have to find ways to entice them to try shopping your store."

With consumer research results, you gain knowledge of how your store is perceived by noncustomers and why they shop competitors. "Perceptions shape consumer shopping habits and management can respond to that. You can change something if it's negative and tout it if it's positive," Suassuna said.

On every account, all the tools of research justify the investment in a food co-op's continued development, and are embraced by successful businesses as a best-practice. In the grocery industry who can afford not to? Competitors, especially chains, are doing whatever it takes to build sales and shape customer perceptions by doing ongoing customer and consumer research. "What management sees isn't necessarily a customer's reality. Being more enlightened about that will give you an advantage in your market area," Suassuna said.

Board leadership development consultant Marilyn Scholl also said that efforts to build sales and reach out to the community are part and parcel of delivering on the co-op's ends or mission. "Doing these types of surveys help you find a story to tell about your co-op that resonates with consumers," she said. "Otherwise how do you know who is not getting the message? Customers need to know why it matters that they shop at the co-op. Having data and making good decisions with it helps your co-op communicate its cooperative advantage."



CASE STUDY

Addressing Competition and Growth with Trade Area Analysis

The Davis Food Co-op has long been a grocery store mainstay of its California community—a place driven by highly educated people working for the university or local government agencies. They're a rather homogenous group of baby boomers, students and townies. The city of Davis has adopted "no-growth" policies, so most development takes place as infill to the city, rather than as expansion. Residents tend to like it that way, even if their decisions mean real-estate costs are unusually high. The city's surrounding geography, a big river, a flood plain, and two highways, contribute to the sense that the 25,000 households in Davis are a contained community.

The co-op's general manager, Eric Stromberg, has been with the co-op for a decade and feels like he has a deep understanding of the co-op's customer base as well as the greater geographic area. He places a lot of value on this information, and considers it his competitive advantage. He continues to commission regular research, like CAT surveys and demographic and psychographic info, because as much as Davis is "static," he believes there are still ways to close the gap in more consumers choosing the food co-op as their primary grocery store. "We want to build top-of-mind awareness that we are the place for natural foods," Stromberg said. Not only that, a lot is also changing in terms of social attitudes and the economy.

"We use the data to set specific goals," Stromberg said, and these include targeting certain zip codes and demographics, as well as determining what techniques and language the co-op uses to communicate with different groups. One of the big changes in Davis in recent years is how the 18-24 year old student population has sought out the co-op. "Our last CAT survey showed us a real increase in shoppers and dollars spent per shopper in the campus area," Stromberg said.

Prior to those results, their CAT survey from four years ago showed a big gap in sales to campus areas, and now they know their efforts at outreach to students was working. Validating the decision to close the gap in sales to student populations was information Stromberg also gained from



Davis Food Co-op

Year founded: 1972
 Number of members: 9,000
 Number of employees: 130
 Retail square feet: 15,000
 Equity investment: \$300 per household

reading trade journals, and learning that the age group was resonating with messages of sustainability. "Now we do a lot of outreach to campus groups and events, and sponsor the campus farmers' market," he said. It also might sound amusing, but having the city's best beer selection was also a conscious choice, based on the research. "We can use it as another opportunity to talk about local production and co-op values," Stromberg said.

"Having this kind of knowledge gives me comfort and confidence. Sometimes marketing can seem like a crapshoot. This gives me real specific data. I feel like I know who I am talking to," Stromberg said. He added that because concern for community is one of the co-op principles, doing research that gives you a better understanding of it is imperative. "If we're not reading the community effectively, how can we change or manage our approach to it?"

Like other retailers around the country, the food co-op is facing increasing competition. Trader Joes is planning to open a store near campus next year. The activities of the last four years in those student areas have strengthened their position because they did their homework early and made inroads into the university as a partner.

They've also done other things to prepare, including a store renovation and undertaking research of areas that the co-op shows strength and weaknesses against such a competitor. "We have to find those people who have a high interest in what we're doing and show them we can meet their needs," Stromberg said.

Welcome to our newest consultants!

CDS is very pleased to announce the addition of five new members of our consulting team:

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