

Retail Revival

Food City outreach builds customer loyalty.

by Jennifer Kiko

Customer loyalty is big business for today's retailers. The focus has shifted from attracting new customers to retaining current patrons. It's a changing dynamic important to private retailers facing competition from discount chains and club stores. Retail is experiencing the revival of an age-old commerce strategy — befriending the customer. K-VA-T Food Stores Inc. of Abingdon, Va., is an expert at it.

K-VA-T is a private, family-owned company known to customers as Food City. Its history dates to 1955, when Jack Smith (chairman of the board), his father, Curtis, cousin Ernest and uncle Earl opened the first store in Grundy, Va. K-VA-T is an acronym of its trade area, Kentucky, Virginia and Tennessee. The 88-store chain serves more than 2.5 million people and 980,000 households.

Lew Taylor, K-VA-T director of meat operations, says the company chose the *Certified Angus Beef*® (CAB®) brand to differentiate itself from competitors.

"We sold only Choice beef for many years, but had to add Select middle meats to stay competitive," Taylor says. "At that time, we decided to upgrade our Choice program. We turned to the *Certified Angus Beef* brand in 1999 and saw an immediate increase in fresh meat sales."

Food City sells more than 9.5 million pounds (lb.) of CAB product per year — an average of 23,000 head of certified cattle per

year. Because of its product mix, there is a range on different cuts. For instance, the company's short loin use would be the equivalent of about 5,000 head of certified cattle. Its chuck roll use would equal about 37,000 head per year.

These are intriguing numbers, especially since Food City's customer demographic covers households averaging about a \$30,000 income per year. That's well below the brand's target market range (households with a \$50,000+ income). Food City stands ahead of competitors due to aggressive pricing and its ability to connect with customers on an individual basis.

Taylor says his customers are very cost-conscious and prefer lower-priced items. Frugal spending habits change at the meatcase, however. Food City continues to offer USDA Select beef, but 98% of the fresh meatcase is CAB product. Current CAB sales have increased eight times what they were just five years

ago. The numbers prove quality and consistency are worthy of consumer dollars.

"Once our customers try *Certified Angus Beef* product, they continue to purchase it," Taylor says. "Our theory and motto is, 'Meat is only a bargain if you can eat it!'"

The meatcase features value-added items created in the store. CAB shish kebabs, stir-fry packages and beef tips are popular. "Chuck bundle packs" are also available. The trays contain a chuck roast, two or three chuck steaks and a pound of boneless stew meat. These packages offer several meal solutions at an attractive price, and they contribute to the company's sales of end meats. More than 86% of Food City's CAB product sales are end meats (chuck and round). This reflects the value-conscious mind-set of its customers and adds value to the carcass.

A tempting buy

Food City sells fresh cuts, the CAB "Dining In" line of convenience items and CAB Bubba™ Burgers. The store

uses a variety of marketing tools to capitalize on its CAB offerings. Billboards, signage and point-of-sale materials are located in every store. Weekly circulars, public service announcements and television commercials spread the message throughout the trade area. Educated meat department staff round out the Food City shopping experience.

"You can't leave the store without hearing and seeing the *Certified Angus Beef* brand," says Amanda Wydner, CAB executive account manager.

"I cannot think of a more exemplary *Certified Angus Beef* partner in terms of promoting the brand and contributing to increased Angus beef sales," Wydner says. "Food City stores have truly assumed the CAB brand as their own premium brand of beef, and their customers know and appreciate it."

Satisfying customers with outstanding products is one way to build loyalty. Involvement in their interests is another. Food City initiatives like "Apples for Students" raised \$7 million for schools in the K-VA-T trade area. The company partners with local farmers to bring local produce to customers. And, it is heavily involved in one of the most popular sports in the area — NASCAR. Food City Race Night is the company's largest consumer event. These NASCAR "fan fairs" are a favorite with Food City patrons. Consumers pay an entry fee to sample products from Food City vendors and collect autographs from favorite NASCAR drivers. All ticket sale proceeds go to local charities.

The company puts its CAB commitment center-stage in every event. Product samplings, coupons and demonstrations prompt consumers to ask for the brand on future shopping trips. Where there's Food City, there is also the CAB brand.

More than 70,000 potential CAB buyers were exposed to the brand during 2003 Race Nights in Bristol and Sevierville, Tenn. In March 2004 Food City teamed its annual food show with the 10th Annual *News Sentinel* Women Today Expo in Knoxville, Tenn. Ever loyal and attuned to its customers, Food City invited the brand to participate at no cost. Attendees sampled the CAB Dining In brisket and talked with CAB representatives. CAB Corporate Chef Dianna Stoffer was part of a daily celebrity cooking stage presentation. The brand was also present in advertising and programs.

In 2003 Food City received the CAB Retail Advertiser of the Year award. The grocer used a consistent brand quality message as its foundation. Consumers were exposed to television commercials, frequent-shopper coupon books and product features including a CAB roast and steak family



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— Lew Taylor



► More than 70,000 consumers were exposed to the CAB brand during Food City Race Night festivities.

package. Product samplings were conducted at two Bristol Motor Speedway auto races — the Food City 500 and the Food City 250. The retailer also hosted a food and cooking show. The efforts paid off with a 12% CAB sales increase.

“Food City is a prime example of top-down commitment,” Wydner says. “The company believed in the brand and introduced it to customers. Food City is completely focused on the brand and now, so are its 2.5 million customers.”

K-VA-T Food Stores Inc. is ranked 46th on the latest (2003) *Progressive Grocer’s* list of America’s 50 Largest Supermarket Chains,

61st on *Supermarket News’* “List of the top 75 supermarkets in 2003,” with more than \$1 billion in sales (in 2002), and 258th on *Forbes Magazine’s* “List of the 500 largest private companies in the U.S. in 2003.”



Editor’s Note: *Kiko is a CAB communications specialist.*



► Pat Patti of Bubba Foods grills CAB Bubba™ Burgers for throngs of NASCAR fans at a Food City Race Night event.