



# Reimagining Dairy

The department is often overlooked, but a fresh outlook can rejuvenate sales.

By Katie Martin

**S**upermarkets are changing. They no longer resemble the stores consumers shopped in the '60s or even the '90s. For the most part, independent retailers have responded by updating and reconfiguring the fresh perishables departments — all except for dairy. It may be because dairy falls under center store rather than the fresh departments, even though the product showcased is perishable. It's no secret that center store is changing, and many grocers don't know quite what to do about it.

"We embarked on this work of really looking at how we could reinvent the dairy departments, much the way stores have done with these other de-

partments," says Cindy Sorensen, VP business development at St. Paul, Minn.-based Midwest Dairy Association. Dairy is a huge part of a store's sales, with 98 percent of households purchasing products from the department. "That's how important the whole dairy department is to the retailer," she adds.

Now is the time to rejuvenate the department, because it has come under stress. Across the board, consumption of the category is down. Some segments have grown, but overall sales in the category have declined, according to Sorensen.

The dairy department has 98 percent household penetration; the milk category has 96 percent.

## Department Pressures

Some of the products also have been commoditized, which is impacting overall dollar sales for retailers. Manufacturers are fighting over market share and dropping retail prices.

Sorensen cites Greek yogurt as an example. When the product was first introduced, it completely rejuvenated the dairy category, and retailers were able to charge a pretty penny for it. But as more manufacturers began offering their own varieties, the battle for market share began and all of the dollars were driven out of the segment as it became a commodity.

Additionally, competitive pressures have really heated up. Consumers can buy milk or other dairy products almost anywhere. Sorensen suggests that retailers look out the front doors of their stores and count how many places their customers can go to buy dairy products. Chances are that a lot of places like gas stations, dollar stores and drug stores are in sight, so how do retailers get consumers to come to their stores for dairy items?

### Driving Forces

First, understand the trends that are driving the market. This may not necessarily just be products, but also how these products are produced. Several trends cover the entire category, whether it's milk, cheese or yogurt. Retailers will want to source products that are high in protein, are fresh and local, and have been produced using sustainable practices. Consumers also are looking for unique flavors.

Next, understand what consumers don't like about the department. According to the 2014 Dairy Department Reinvention (DDR) study by Rosemont, Ill.-based Dairy Management Inc., the department often is cramped and congested, with

products squeezed together, creating an overwhelming shopping experience. Further, the space is generally uninformative and uninspiring.

Retailers also have to realize that purchasing triggers for consumers have changed, Sorensen says. Things that used to heavily influence consumers' buying decisions, such as price, may no longer be the first consideration for many. Now it's all about transparency — they want to know the farmer who produced the product; they additionally want to know that the animal was well cared for and that the resulting product is free from harmful elements.

"They want to know that you as a retailer have the same values that they have in their lives," Sorensen says. This means, first, that a retailer needs to have an animal care policy in place, and, second, it needs to be posted prominently on the company website — don't make shoppers hunt for it.

### Play Up Farmers

What can retailers do to bring dollars back to dairy? Create an experience for consumers as they shop the department, according to the DDR study. Share the farm stories and make sure customers know they're buying a local product. "On average, in the United States, milk in a grocery store came from no more than 100 miles away," Sorensen says. That's local, but many consumers don't know that fact, and retailers should make sure they do. And it made it from the farm to the store shelf, on average, in just 48 hours. That's fresh, and again, a fact that many consumers are unaware of.

"Here in Minnesota, where I live, I can go to the store this evening and

potentially, the milk I'm buying left the cow this morning." For communities near milk-processing facilities, the milk can arrive at the facility and

be on a truck on its way to the store within two hours. That's about as fresh as you can get.

Share these stories about local dairy farmers. Make it a significant section on websites. Many retailers already have separate pages for each of the departments in the store, but dairy often is overlooked. This is the place where the farmers' stories can be shared.

The Midwest Dairy Association has the stories available, so retailers don't have to track them down. Videos of the farmers talking about their products and processing procedures also are available.

Additionally, retailers should have demonstrations in the department and provide recipes for consumers that enable them to create tasty meals using dairy products. A website's dairy page is a good place to house these recipes and how-to videos.

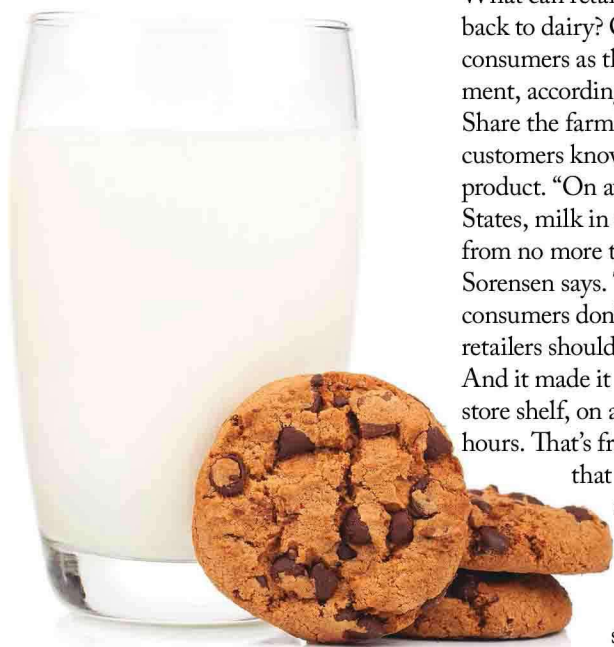
### Create Experiences

In general, the best way to draw customers is to make the experience enjoyable. Reconfigure the department so traffic flows smoothly, post relevant signage and display complementary products adjacent to each other. For example, divide the department into segments and use visual cues to indicate the purpose of each segment. Yogurt can be merchandised with whipping cream and sour cream under a visual cue from the kitchen to indicate that they're good ingredients to use in cooking.

To meet consumer demand, it's time to completely reimagine the dairy department, much like retailers did with other fresh departments. For example, retailers can install a

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milk stand where vats of premium milk in different varieties, such as 2 percent, whole and organic, are housed in a display that also offers containers of various sizes to meet the needs of any household. The filling station imparts an image of freshness, while the recyclable containers represent sustainability.

The milk stand can be taken up a notch by adding a flavor station where customers can add different flavors to their milk. A customer can place a filled container in the flavor station, select the flavor and size of the container, and then the station will mix the milk for her and reseal the cap. Retailers also can take this idea to their coffee bars by having a similar milk-dispensing and flavor station for customers who want a glass of milk to accompany a meal or morning pastry.

Breakfast is a fast-growing category, but many consumers are looking for ways to consume the meal on the go. A yogurt/cottage cheese bar may be a solution. The concept is similar to a salad bar, but instead of lettuce as the base, consumers add fixings to their bowl of yogurt or cottage cheese. The selection of fixings

can be changed throughout the day to take the concept from the breakfast category to lunch or an afternoon snack. The yogurt or cottage cheese serves as the protein source, which is something consumers say they want to consume more of, and then they can add other vitamins and nutrients to it through the fixings provided.

Or make the department a draw for children by creating a child-size milk-and-cookie bar. Much like the milk station at the coffee bar, children can select their varieties and flavors of milk while sitting at a counter sized just for them. Cookies made fresh at the in-store bakery could also be showcased, creating a way to cross-merchandise two fresh departments.

### Hot Products

It still comes down to offering the products that consumers want, however. Greek yogurt may have been the biggest thing to hit the category in years, but what will be the next Greek yogurt? Sorensen sees a lot of growth potential in the milk category. Even though consumption is down, milk still has 96 percent household penetration. "Milk is a huge category, and it's

off like 3 percent in gallon consumption every year, but it's ripe for innovation," she contends.

One such innovation is the introduction of Fair Life milk, which has 50 percent more protein, 30 percent more calcium and half of the sugar of regular milk, as well as being lactose-free: all of the things consumers say they're looking for in the milk category. The product also tells its story on the label.

"It won't be long before we see other big players getting into the market," Sorensen predicts. "It's going to create competition. That's just my projection." While not all consumers may be willing to shell out the money for these types of products, they will draw attention to the category and remind shoppers of the healthfulness of dairy in general.

Reimagining the dairy department is just the beginning. With the way center store is changing, it may well be time to reimagine the entire store. As Sorensen notes, "Dairy is something that can be cross-merchandised throughout the entire store, because it interacts with all dayparts." **PGI**