



BRAND SECRETS AND STRATEGIES PODCAST #32

Hello and thank you for joining us today. This is the Brand Secrets and Strategies Podcast #32

Welcome to the Brand Secrets and Strategies podcast where the focus is on empowering brands and raising the bar.

I'm your host Dan Lohman. This weekly show is dedicated to getting your brand on the shelf and keeping it there.

Get ready to learn actionable insights and strategic solutions to grow your brand and save you valuable time and money.

LETS ROLL UP OUR SLEEVES AND GET STARTED!

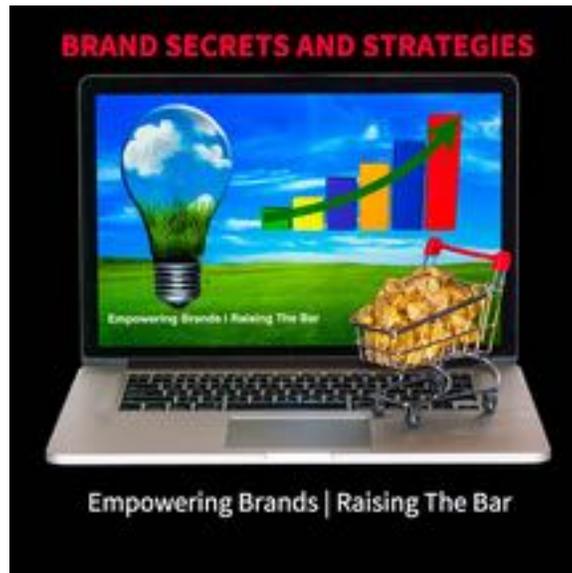
Dan: Welcome, and thank you for listening today. Today, I have for you real treat. Let me set it up like this. If you've been listening to this podcast, reading any of my content, or going through my free course, Turnkey Sales Story Strategies, you've heard me say repeatedly, time after time, that you need to be an expert in your product, your consumer, your competition, the category, other categories that are associated and related to your products. In other words, what consumers buy when they buy your product,



and the retailer. Not just one retailer, but every retailer you compete against. Every competitor, everyone on the shelf, the same shelf that you're on. Well, the challenge that faces literally every brand out there is we get so busy, so immersed in what we're doing that we get blinders on. We forget, or sometimes, just can't see what is going on around the corner, in the next market, in retail, et cetera.

Today's guest solves that problem. I am excited to introduce you to Phil Lempert, the Supermarket Guru. The reason that Phil is so important to this audience, to this message, is that he has been working for years now to communicate what's going on in different markets, different retailers, across different channels, et cetera. In other words, Phil is giving you that unique opportunity to see what's happening next door, in the next retailer, in the next category, et cetera. Phil's content has just been amazing. He's an icon in the industry. He's been a featured speaker, a regular contributor to leading publications, and he puts out so much content, honestly, I don't know how he does it. His content is amazing. He has several different videos that he puts out on a regular basis. He has reports that he puts out, product reviews and other great insights.

I highly recommend that you visit his website to learn more about the resources that he has available to you. Phil is going to help guide you and help you understand, help you get a better picture of what's going on beyond your market. Leverage his resources at



retail. I've been using his content for years. Again, I'm thrilled to have him on the show today.

Hello, Phil. Thank you for joining me today. Can we start by you telling us a little bit about yourself? What I'm really interested in here, in addition to learning more about you, is why did you get into this?

Phil: Okay, well, Dan, first of all, thank you for inviting me to join you today. It was by birth, my grandfather was a dairy farmer, my father was a food manufacturer, so I grew up in this world, but I took a different track. My undergraduate degree is in marketing and retail management. My graduate degree is in all things, package design, and I started out by designing food packaging, because it was just so darn ugly those days. That really grew into what Supermarket Guru is today. I was the food editor for the Today Show for over 20 years, a newspaper columnist, all that kind of stuff. It's based on a triangle, where you've got at each of the three points, consumers, brands, and retailers. My job, as I see it, is to be smack dab in the middle of that triangle and making sure that everybody knows what everybody else is doing, and making sure that retailers understand what consumers want, and brands do.

While it sounds like that's easy, because I've got focused groups and everything else, just take a look around at some of these iconic companies that are faltering, and struggling to figure out what's next. They're out there whether they're opening up incubators for emerging brands, or they're buying other brands.



These companies really are not in tune with what consumers want. Hopefully, what we bring to the party is helping them get in front of that trend, when they listen, and not falling behind it.

Dan: Fantastic. I'm so glad you mentioned that, because that's one of the things I focused on, is the fact that mainstream solution providers, brands, and retailers, et cetera, tend to commoditize that core natural shopper, other shoppers as well. On that note, one of the things I wanted to talk to you about was personalization. You have so much great content, and thank you again for all you've done for the industry, that talks about how unique the consumers are, and what the consumers are looking for, not only today, but tomorrow, and in the future. Since my focus is really more on smaller and natural organic brands, what message would you have for them in terms of how would you help or how would you recommend a small natural brand communicate more effectively to the mainstream retailers and brands?

Phil: Well, first of all, if they want to get into a mainstream retailer, they should understand that mainstream retailers want them.

Dan: Exactly.

Phil: That they're out there looking for what's unique, and especially if we look now at the changes at Whole Foods, moving away from just local brands. There's huge opportunities now, whether it's at Kroeger, Hy-Vee, ShopRite, they have people who are looking for unique products. Now, the thing that people have to remember,



and I caution them, you don't have to be a national brand in every supermarket to have a successful business. You just don't. That's the old thinking of Procter & Gamble back in the 60s and 70s. You can have a small brand that does really, really well. For example, I was just with some executives at Hy-Vee just a couple of weeks ago, in one of their stores.

One of the people pointed out a product that actually is made in Iowa. It's a pretzel. It has one SKU, that's it. I think that their only customer is Hy-Vee, and with Hy-Vee, they do a million dollars a year, on a bag of pretzels. They're very good pretzels, don't get me wrong, they are all natural, and it's a terrific product. We've got to really refocus what our sights are on and how to be successful. That's different, and it's changed. There's a lot of opportunities. If you take a look at the delivery services like Thrive, I'm not talking about Instacart, but Thrive, good eggs, milk and eggs. They're curating products. They don't have 18 different kinds of orange marmalade. They just want to build a relationship with one brand, really push them, and it helps both of them. There's probably more opportunities today for small brands than ever before, but you've got to change your psyche, and you've got to think differently about it.

Reaching out to them is easy. Getting them to buy isn't so easy. What you really have to do, you look at mega brands now like vitamin water and some of the other products that have really made it, what they did is they had a consumer following first. Before you go to Kroeger, Safeway, whoever you want to work



with, look at your social media. How many followers do you have? What kind of input are your customers giving you? Going then to the buyer and showing them that you've got a half a million followers, that you've gone direct to consumer, and you've been selling to consumers yourself, or you've been going through Amazon to sell consumers, have all those metrics with you so that the buyer says, "Wow, I know that if I put this on my shelf, customers are going to want it."

Dan: I appreciate you saying that. In fact, to back up a little bit, I did a feature for the 2016 Category Management Handbook that lays these all out. I had access to all the data, even from Nielsen, all different categories, et cetera. I will share what I identified in the show notes.

Phil: That's great.

Dan: Yeah, it's really cool, because I think it's the first time that this has ever been done. What I identified is that natural organic products are responsible for all the sustainable growth across every quarter, every channel. What I'm getting at is that if you take total U.S. sales for any category for the most part, and you remove that tiny little sliver of product that represents natural organic, those categories are flat out declining. All of that growth is from the small organic brands. To go one step further, one of the things I talked about, and I'm so glad you mentioned this, is that brands need to do more than just show up at a retail appointment with their check book. They need to be fully armed with a solid selling story, which includes how do they help the



retailer drive traffic in their store, because that's the one thing they want. Then, number two, how does that brand help that retailer understand not only in terms of the traffic they bring to the store, but who is that consumer?

To your point, being able to leverage your social media, which is such a tremendous asset, is so very, very important to these small brands. Another thing I talk about is how these small brands are so closely tied to their core consumer that they're making changes or delivering products that actually meet their needs. What have you seen along those lines? Then, how would you recommend those small natural brands continue along that path?

Phil: Well, you're totally right. The innovation is coming from small brands, which is why folks like Campbell's bought Bolthouse and so on, and the difference is, again, in today's environment, it's not about having a brand and then selling out to a big company and cashing out. The entrepreneurs today don't necessarily think that way. They want to establish their own brand, and what they really want to do is be in tune with their customers as you're talking about. What they've got to do for retailers, of all sizes, whether it'd be e-commerce, and a brick and mortar, is really understand that the retailer is more interested than ever before in a holistic approach to your product. It's not, as you said, going in with a checkbook for slotting allowances and promotion allowances. Yes, that still takes place, however, a lot of these chains have different systems.



Especially now with what Whole Foods is doing, I think you're going to see them create even more, where it's opportunities for these small brands to get in without having to pay a huge bill, to get on the shelves. It's going to be all about how you communicate your passion. I did a retailer panel at last year's Fancy Food Show in New York, and Cathy Strange, who is from Whole Foods, one of the best merchandisers, buyers that I know, I asked her, "What do you look for at the Fancy Food Show, or any show that you go to?" She says, "I certainly look at product, but I look for passion. What I want to do is I want to meet people who are passionate about the foods that they're producing, because those people are the ones that I know will drive that traffic, will support me as a retailer."

I've talked to a lot of other buyers and shared that, and the best buyers are saying the exact same thing. They want to meet the person. It's not just about having a pretty package and being healthful with clean ingredients, and everything else, they want to meet the heart and soul behind that brand. For entrepreneurs, you want to get out there. You don't want to rely on just the broker to do your sales for you. You want to go out and meet the buyers, and tell them your story, about why you've developed this product. For so many people, when they do that, the door opens to all these retailers. I know a lot of people are skiddish about doing it, they're nervous, they're embarrassed, don't be. They want to meet you. They have a choice of whatever your product is, a 100 products just like yours. Some are better, cheaper, prettier, better tasting, better ingredients, whatever.



It's not about the product. I think that's where so many brands fall short. They feel that their product is going to sell by itself. Nope, you've got to do it.

Dan: Absolutely, and in fact, I really appreciate you saying that. I mentor a lot of brands. I work with a lot of disruptive brands, and that's the number one thing I hear, is, how does a young brand get their product on the shelf? To that end, I just launched a free course for our industry — Turnkey Sales Story Strategies. The whole idea behind it, as you said, and thank you for framing it this way, is that brands need to have a unified selling story. It is not enough to drop a one page Excel sheet on a retailer's desk. The other thing, and I love the way you're framing this, is that the selling never stops. It extends far beyond after the consumer takes it home, shares it with their family, and their friends. That evangelistic, "God, this is great stuff." That's what they need to leverage at retail. Your thoughts?

Phil: Absolutely. There's a lot of ways to do it. We've talked about social media before, but you've got to constantly be out there. We review products, and I've been reviewing products for probably 30 years now. What I look for, we have an eight different attribute scale, certainly, taste, and ingredients, and value, but also sustainability. What is this company doing to give back to the community? What are they doing as it relates to non-GMO certification? Those are the stories that you, as a brand, have to constantly tell now, in social, but also on your package. Very often, I might give somebody a one or zero on sustainability out



of five. Then, I get a call from the company and they ask, "Why did we get zero? We give back to charity," and whatever else they come up with. I say, "It's not on the package." Basically, from a consumer standpoint, they've got about 1/17th of a second to be attracted to a product in a supermarket.

If it's not all out there, if it's not screaming out there, nobody knows. People say to me, "Well, it's on our website." Well, guess what? Not everybody's going to look at your product up on their website, especially when they're in the store. You've got to make sure that your story is out there, that it's truthful. Transparency is key, whether it's about ingredients, or about your company, or about your story. Back in the 70s, people would write up fake stories. They'd put everything in a beige package. It was Dan's flower that grew in the mountains of wherever, the Himalayas. You carried it down over your shoulder. You mold it yourself very carefully, and then you find out that it was somebody like Conagra. That just doesn't work anymore, especially because of the internet, everybody can find out everything. Traceability, transparency, key.

Dan: Very well said. By the way, I was talking to Bill Bishop yesterday, and he says, hi. Yeah, Bill and I talked about how the messaging needs to extend beyond the four corners of the packaging. I realized what you're saying is, it's got to be in front of people. How would you address that? What we're getting at, Phil, is that that knowledge, that research that consumers do, they whip out their smartphone at the shelf, and then, they try to understand



what is in the package, the transparency piece. They want to know where it comes from, how it's made, who grew it, when it was planted, everything about it. Could you go into a little deeper into that?

Phil: Sure. Well, I think that your package is always your primary vehicle to communicate with consumers. You can have secondary communication on your website, or on YouTube, or just to reinforce it to tell more of the story, but just the bullet point that says, made in Vermont by Real Dairy farmers, that's okay for your package. Then, "For more information, go to our website." Or, put a QR code on the package. Nobody has any time and that's why we're starting to see Walmart getting into delivery, Instacart growing by leaps and bounds, Amazon delivery. People are time-crunched. To expect them in a store to whip out their smartphone, to look up everything about you, I'm sorry, it's a box of cereal. It's like three or five bucks - whatever that cost is. Unless you're making it so intriguing to a consumer, they're not going to do that. They're just going to scan the shelf and take what they think looks best.

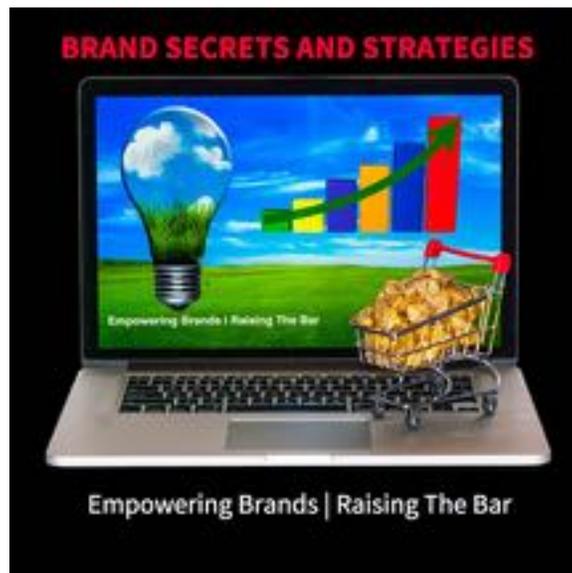
If you're lucky, they'll pick up your package, and they'll read what's on it. All the others are really reinforcing, but you've got to have that primary message on your package. Then, also, using social media, I would even recommend more social media than advertising, pure play advertising, social media, to reinforce that story. To get people hooked, so when they go to the store, they start looking for your product.



Dan: Phil, that box of cereal has my picture on it, it is my life play. No, I'm just kidding. Talking about that, innovation, I believe that the natural channel is the R&D for the entire CPG industry. The point being, that this is where where true innovation comes from. What I'm getting at is that mainstream brands will slap a label on something, like what you're talking about, and call it something. Then, put a different label on it, and call it something else. They'll maybe change the flavoring. True innovation, like you said, starts in the natural channel. What would you recommend to help encourage those natural brands to maintain or to stay with that mission, if you will, and to keep forging for it.

Phil: Well, I think you have to. I think that when I wake up in the morning, every morning, you'll start your day all over again. Forget what you did yesterday. It has to be constantly moving forward. An example that I always use is an elephant. Basically, in the food world, what we've got are these elephants, I call them trends, and we've got our tools. We've got bows and arrows, and that's marketing, and social media, and advertising, and product development, and all of this other stuff. Dan, you send me an email and say, "Hey, check this out." Then, I see this big gray elephant in front of me. I just start running after it, because I want to catch that trend. I'm shooting bows and arrows at it, and bottom line is, there's a bunch of arrows in the butt of the elephant, and it keeps right on going.

What we've got to do is we've got to run in front of that elephant. Dig a big hole, and capture it. Just running behind the trend



doesn't do anything. Also, to add to your point, not only from natural and organic brands do we see innovation, but now, more than ever before, we're seeing Silicon Valley getting involved. They bring a bunch of things to the party. Number one, lots of money that's out there, they're throwing at brands. Number two, cellular agriculture. I see more things, exciting things happening with cellular agriculture than ever before. Third, what food is doing, and frankly, I credit Kimbal Musk more than anybody else, is he's out there talking about food. Kimbal and Elon's mom is actually a nutritionist.

They grew up in that Whole Food world, in the whole healthy food world. He keeps on telling his friends, his billionaire friends, the food opportunity is, I think, he says, it's like eight times bigger than the global software opportunity. They're really excited, and what we're starting to see both at retail and brands are people who are joining our industry. In the grocery industry, we've never been the cool guys. Now, we are. We're seeing people from MIT, and Stanford, and Harvard getting into food and that's fabulous. The competition is more than ever before. To your point, you can't just do one thing and rest on that. You've got to go next, next, next. It's like when popchips first came out. Keith Belling had this idea, created popchips, was able to sell the company, and now, he's onto his next venture, and the next.

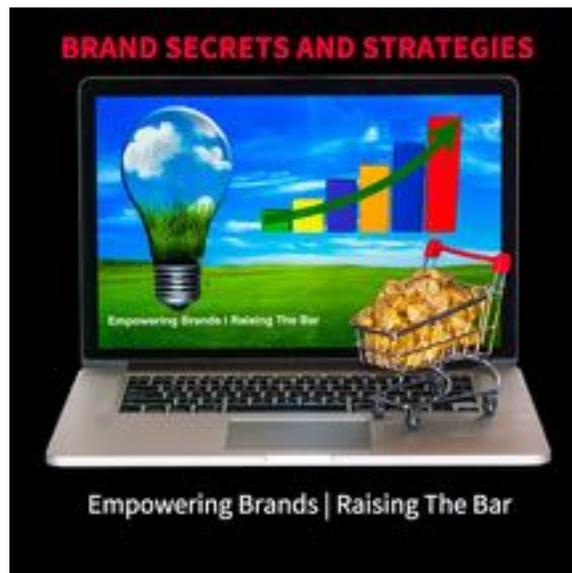
It's constantly about innovating. In fact, popchips now has a new product. It's the shape of like a corn doodle kind of thing, but it's chocolate and peanut butter.



Dan: Really?

Phil: It's still that pop, it's still healthy and nutritious. Even when you're established like a popchips, you've got to constantly be pushing that envelope. Whether it's new flavors, new shapes, new textures. Again, telling everybody about it. Keep in mind that a lot of retailers are watching what you're doing on social media as well. They're seeing if you come up with a product that's cool, and you're getting a huge interest in it. It, again, just reinforces your story, so you can't stop innovating. Everyday, come up with a new idea. It doesn't mean all of the ideas you're going to do, but my assignment for everybody listening is, every day come up with a new something for your brand. I don't care whether it's a package, whether it's a flavor, whether it's a line extension. It doesn't mean you're going to do it. If you start training yourself to think about innovation, what you're going to do is maybe hit one out of every 10.

Renfro Salsa, for example, this is a company that's, I think, it's like 90 or 100 years old. It's on the third or fourth generation, they're constantly pushing the envelope in salsa. Across the highway from where they are in Texas, there's a microbrewery. They went over there and said, "Let's do something together." Now, they're marketing salsa that has kraft beer in it. It's two companies, co-branded. You'd say salsa? How many different varieties of salsa can you have? I think Renfro has at least 25, and they're constantly coming up with new flavors, and getting rid of other flavors. It creates excitement not only for their



consumer, but for the retailer. Because when a retailer has a new product, yeah, one product has to come off the shelf to make room. When they have new products, you're invigorating that retailer, both at store level and at the buyer level to get behind your product more.

Dan: It makes good sense. In fact, retailer excitement, that's what storytelling is about. That's one of the benefits that small brands bring to the table, is to drive traffic, to drive excitement at the retailer's stores. I've got a question, I want to back up a little bit. We talked a little bit about incubators from big brands. One of the things that I'm a little bit leery about, which I'd like to hear your thoughts, is big brands teaching small brands how to do things the way big brands do. The point being is that the big brands are disconnected from their own consumers. In my opinion, yeah, learn from them, but at the same time, if you want to be like the big guys, you're going to end up like the big guys. I think you're going to fail.

Phil: The same trends.

Dan: Yes, exactly.

Phil: I'm with you 100%.

Dan: Your thoughts?

Phil: I don't like these incubators the way they are now. Maybe an exception might be the Chobani incubator. What you'll really find is they're setting up these incubators because they're not



innovating. What they're hoping for is they're going to help these startups. They're going to take a piece of it and maybe buy out the whole thing. My recommendation to these big companies that have the incubators is take a piece of it, be happy with taking 15% or 20% of it and leave them alone. Let them do their thing. In fact, Bolthouse Farm is a perfect example. Since Campbell's bought Bolthouse sales are down. They've been pushing innovations. Some ideas are good, some aren't so good. The president of Bolthouse, Denise Morrison, who would eventually be the CEO of Campbell's, left. Plum Organics, the same thing, Keith, after he sold it to them, left after three years.

It's a different business to your point, running a big business versus running a startup brand. Big companies have to understand that you can't just buy something and incorporate it in and it works. The cultures are different, the mindset is different. Really, my recommendation to all these big brands, and I tell them all the time, take a piece of it. Like what Tyson has done with Beyond Meat, great, watch it, learn from them, but don't try to run the business.

Dan: Well, said, in fact, that's exactly what I've been thinking all along, is that the fact that it's really an opportunity to really assess whether or not the company is good for their portfolio, more so than is it a good opportunity to help their brand. On that note, and I don't want to mention the brand, because I certainly don't want to embarrass anyone, but there was a legacy natural brand that was acquired by mainstream brand. The mainstream brand



tried to manage them the same way, basically turned them into a version of themselves, and they were on the discount shelf at a Walmart within less than five months, on a new product launch. In fact, that mainstream brand today is just a fraction of themselves, so thank you for saying that.

I have another question for you. Natural retailers. They're such an important part of the ecosystem, and I believe that they're always going to have a place. The main reason for that is because, it's where these small disruptive brands get their start, and it's where these small disruptive brands can build traction, et cetera. What are your thoughts about these natural retailers, and how can they remain relevant? Then, the second part of that question is, what do you recommend in terms of them keeping those brands that tend to grow to a certain size, and then they leave them? Would you recommend they keep those brands within their stores, within their portfolio?

Phil: Well, I think it depends on the retailer. For example, Kroeger has done an exceptional job with their natural and organic line. I think that smaller stores like Sprouts, and I would have said a year ago, Whole Foods, have usually been where natural brands have gone. I would say, set your sights higher. You look at Hy-Vee, which now is rolling out their own 20,000 square foot natural store. Right now, it's 8,000 square foot store within a store concept, but Hy-Vee is going to be rolling out these stand-alone stores, just natural and organic. We're seeing the same thing from other retailers. I think that what we're going to see is a



blurring of the lines between natural and organic, and traditional stores. Traditional stores are going to get more natural and organic for what you just said, Dan, that that's where the growth is.

Kellogg's cornflakes are declining. You look at a natural organic cereal, it's up, probably on average, 12%. It's important for us to understand that retail is changing quickly, and dramatically, and there are going to be some losers in this. As Kroeger looks at their growth, for example, in natural and organic, and they look at what's going on around them, you're going to see more natural and organic products there and at Walmart, and everywhere. While the natural and organic retailer has been the foundation for this industry, not so much anymore. Again, it doesn't mean you have to sell of all Kroeger. You can go to one KMA, one division, and manage it that way, and just have a great business. Again, what I said before, you don't have to be in every grocery store in America to be successful.

There's probably a very few products including Kraft macaroni and cheese, and other iconic brands like that, that are in every store. That's not the way it works anymore. I think what we're going to see, too, is these natural and organic retailers under a lot of pressure. Typically, there had been a higher gross profit, and that's disappearing as e-commerce takes its place, as all these other retailers reduce the price and want to steal that customer to go into their store.

Dan: What are your thoughts about the independent natural retailers?



- Phil: I think that the independent natural retailer can be very successful if they build a strong relationship with their customers, if they've got the right location, if they are deep set in the community, if they have, for example, a dietitian coming in, if they're doing other courses. They can't just be a 10,000 or 15,000 square foot store that has the same products that Kroeger has at a higher price. They have to work harder to be a valuable member of their community.
- Dan: Have you seen a lot of programs that they do? I don't know if you got a chance to spend a lot of time in them, but the educating the consumer, et cetera, that, like you said, that local community, things that perhaps you've seen in those smaller stores that have all of a sudden appeared in the larger stores. It's like, now, all of a sudden we see the dietary nutritionist, et cetera. What have you seen?
- Phil: Yeah, I'll give you a great example, in the building next to where I'm sitting in Santa Monica, we had an independent natural grocer called One Life. About three miles away, a little further than walking distance, Whole Foods opened up in Venice, California. Erewhon opened up maybe five miles away, and the guy who owns this, as soon as those stores opened said, "I'm going to go out of business." He did go out of business. It took him five years, but the reason he went out of business was that he didn't keep up with what Erewhon and what Whole Foods was doing. They had a different geographical base. You had to drive to both

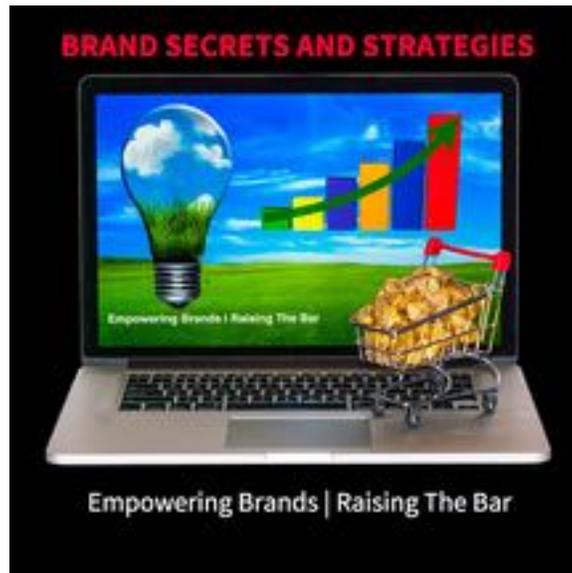


of them from the neighborhood. They really lost that relationship with the neighborhood, and they weren't doing the courses.

They fired the guy who used to be in charge of their herbs, and they stopped making juices because somebody else opened up a juice bar. It's the old story that I remember my dad telling me, I'm sure your dad told you the same thing about the hotdog stand guy, where somebody had a hotdog stand on the side of the road and did really well. Then, all of a sudden, somebody opened up a hotdog stand on the other side of the road, who had bigger hotdogs for less money. All the business went there, and this guy panics. He reduced his price, and reduced his price, and had a bigger hotdog, and whatever else. Bottom line, this war began based on what he had in his thought. He went out of business. You've got to look around you. As an independent retailer, it is tougher than ever before. You've got to be competitive, even though you're going through UFI, or another distributor, not being able buy direct as some of the large chains do.

You've got to have unique offerings. You can't have the same thing that somebody could buy in a Kroeger. You've got to be offering these other services. You've got to, as I said before, really be part of the community.

Dan: I like that. One of the things that I talked about, in terms of smaller brands, is that you got to be relevant. You've got to have some of the top selling items in the market that consumers remember. Perception is everything. If a consumer comes in your

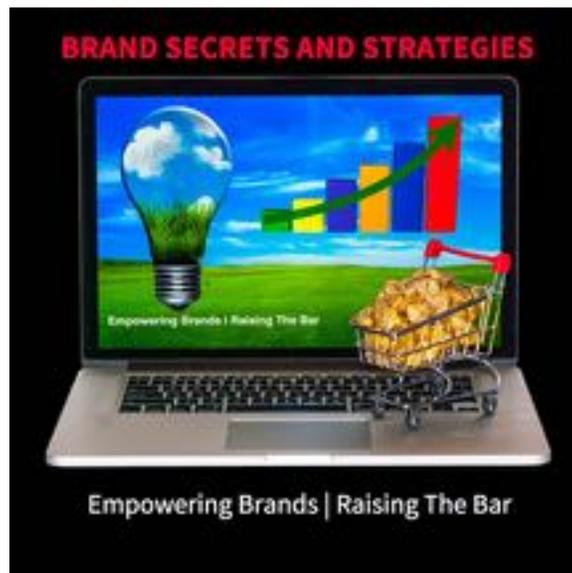


store, and they perceive you to have a good selection, those items are a good price, they perceive you have a good price, and then have those unique offerings that only you provide, that's one of the strategies that I've been pushing, if you will, for years. Your thoughts?

Phil: Absolutely. You're absolutely right, Dan, there's no question about it. You've got to have that assortment, you've got to have that blend. Again, I'll go back to One Life. One Life had a brand of organic corn, Arcadia, a canned corn that I fell in love with. I'd probably visit between 10 and 15 retail grocery stores a week, no matter where I am, and I could not find that brand in my local stores. Not only did they have canned corn, but they had salad dressings and so on under the same brand. I became a huge fan of that brand, and that was the only place that I could get it. Frankly, I paid twice as much for canned corn than I would have if I bought any other brand. To your point, having some of the staples, they had the eggs, they had Horizon milk, they had Nature Valley milk, all of those things that you could buy elsewhere, but probably, 20% of the store had unique offerings that you couldn't get elsewhere.

It went out of business because they became less and less as he figured he has to compete with Erewhon, and Whole Foods, and, and he couldn't.

Dan: That's so sad. I hear those stories all the time. Your drug of choice, your favorite drug of choice is canned Arcadia corn? I'll remember that.



Phil: It's not my drug of choice -it's my favorite canned corn, yeah. Not my favorite food.

Dan: Now that's funny. One of the things I wanted to talk about, you were talking about getting into the stores on a regular basis, 12 stores a week, and I think that's amazing. In the pre-roll, I talked about how the benefit that you offered to the community, is you allow us to see what's going on outside of our own field division, of our own markets. That's so relevant and so important because I'm always talking about how brands need to be an expert in their category, in their competition, and in their market, and that includes every retailer. When you're talking about how you visit retailers, what do you look for, and what strategies would you recommend a brand adopt to learn more about what's going on at retail? Then, as a follow-up to that, how do you augment that? Because I certainly want to support what you're doing, and I'd love nothing more than to drive a lot of traffic your way, because what you do is so valuable.

Phil: Well, thanks. First of all, I think what every brand and every retailer has to do is to get into stores. There's no question. When I'm with retailers, sure, we'd go into one or two of their stores, but we really go into other stores to see what other people are doing to learn from. What brands have to do is get into stores, and also, look at your competitors. What is your competitor doing that you can learn from, that you can do better? That's critical, and frankly, for us, what we try to do, and again, we do no consulting. We're strictly editorial. What we try to do on our

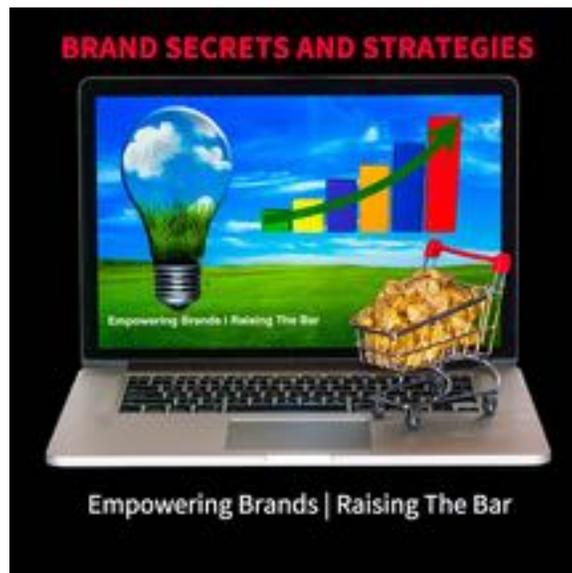


website, in our trend videos, and so on, is again, get in front of that elephant. You mentioned personalization before. I see the day and it's not that far off, that every supermarket will have a bank of 3D printers.

You want a special cupcake, and a 3D printer is going to make that cupcake just for you as a 3D-printed device, or a cookie, or a pizza, or any of these other 3D food printers that are out there. We're going to really drill down to be very, very personalized. You're probably going to order it on your mobile device, standing in front of it, and you're going to have a check mark that says gluten free, or all organic ingredients, or whatever else. It's going to be sent directly to the 3D printer. It's going to be going back and forth as you watch and there's your cupcake.

Dan: A show - a meal and a show. I like that idea.

Phil: Absolutely, and again, I think that show point from a retailer standpoint is critical. You've got to be an experience. If you look at Italy, certainly, an experience. If you look at what Hy-Vee is doing, lots of experiences there. I'll give you one example. Next to their bakery, their in-house bakery that makes great artisan breads and so on, they have a little area for bagels. Well, in addition to selling great bagels, what they do is they make their own flavored cream cheese. The person who does that walks over to the produce department and says, "Today, I'm going to make a blueberry cream cheese, or I'm going to make whatever else." He gets that fresh fruit, goes back to the bagel area, and starts mixing it right there in front of people. They could see how fresh



that is. It's the theater, it's the excitement. People are very passionate about food, especially millennials and Generation Z. To have that kind of excitement in the store really builds a great relationship with the people who want to buy that food.

Dan: I think to go one step further, and I love that idea, is it offers transparency, and it builds trust and authenticity. That's something I talk about a lot.

Phil: Absolutely.

Dan: One of the things, and I'm so glad you mentioned that, is I always talk about how food shopping should be an experience. It's not a matter of just, "I need this, or whatever." To your point, the pricing game, I was around when there thousands of retailers that all got swallowed up, or tried to play the pricing game and lost. They went away. The whole idea of having theater in your store, I think, is fantastic. Getting back to the experience, any other thoughts that you might offer around that in terms of what brands can do to help retailers retain and even spur that experience?

Phil: Sure. You've got to come up with great, creative ideas. For example, we have the Retail Dietitian's Business Alliance, where it's a network of these retail dietitians throughout the country. One of our sponsors to that came up with this great idea that we have a contest for retail dietitians. The winner received basically a bicycle that's hooked up to a blender that you could make smoothies in the stores, and lent that bicycle to that retailer for a



week, and it was the hit of the store. It looked like something that Rube Goldberg would come up with, but it was fun, and think about what you can do with your retailers. It doesn't have to be in every store. That creates excitement that you can put on social media, that you can get people actively involved.

The retailer is looking to you for these great creative ideas that can make them stand out from their competitors. For years, for decades, the reason Whole Foods stood out is not only do they have a lot of fresh foods, but you could go up to anybody in the Whole Foods, ask them any question, and they could answer it. Well, not so much anymore. Now, the people who work in Whole Foods are just like those who work in every other grocery store, and that was their downfall, in my opinion. You look at other retailers, like Wegmans, great theater experience. Everybody who works there loves the place. You look at Publix, you look at Mariano's in Chicago, you look at Gelson's, and Bristol Farms out here in California. They're thinking every day, what can we do to differentiate ourselves from the nearby Kroeger or Safeway Albertson's?

They want input from brands, for them to come to them with creative ideas. Some might be goofy, and they say no to, some might be great and they say yes to, but you know your brand, you know your customers better than anyone else, much better than the retailer does. For you to translate what your customers want into a retail experience really, really works and the retailer wants that. Frankly, when you go to the retailer with those ideas,



you go up a notch in their brain, in their relationships, and say, "Wow, Dan's really thinking about me and wants me to sell more." They're very willing to have different ideas that separate them from other brands, other.

Dan: Thank you for saying that. It makes so much sense. That goes back to building that into your story, your selling story.

Phil: Yup.

Dan: On that note, true loyalty, loyalty cards. You hear a lot of people talk about them. I've got a loyalty card for every airline I fly in, every retailer in my market. True loyalty in my opinion comes from exactly what you just talked about, having that experience on marketing, having those brands that are unique, having a retailer that goes above and beyond to deliver an awesome experience. The theater part, I love the way you say that, your thoughts?

Phil: Yeah, if you look at frequent shopper cards in grocery, it's a debacle. Nobody has ever used the data. It's different with the airlines, where you and I fly a lot. The more you fly, then they up your benefits. You become platinum, or executive platinum, or a concierge key, or whatever you get. You go, "Wow, that's really cool." Supermarkets have never done that. Supermarkets do it as a paperless coupon. That's it.



That's wrong. Probably, again, Whole Foods has no consumer data, and certainly that's what Amazon is focused on, they're a consumer data-driven company. How do they now change what a frequent shopper program looks like, and certainly with the Amazon Prime Mastercard, they're getting close to it. For \$99 bucks, you get the Mastercard for a year, and you get 5% off all your groceries at Whole Foods. Wow, that's huge. Now, when you use your Amazon Mastercard, they're collecting all that data. It's brilliant, and that's what we need to get to. Brands need to be part of that, too, and come up with programs that can tie in to frequent shopper programs, and be intelligent about it, versus just 50 cents off.

Dan: I think that's so important, and the fact that, going back to the social media piece, these small brands that are so intermittently aligned with their core customers have a unique opportunity to communicate that through their social messaging far better than the big brands.

Phil: Absolutely.

Dan: I believe that the small brands are eventually going to take over, if you will, in terms of the space in the store. In other words, I believe that the small, disruptive brands are going to really be the large segment of the CPG industry, whereas larger brands, I believe, are going to continue to shrink. Your thoughts?

Phil: Absolutely right, absolutely right. You look at Heinz Kraft, perfect example. We don't need.. I think they have like 23 varieties of



Kraft macaroni and cheese. We don't need 10 different sizes of Heinz ketchup. Frankly, from a consumer standpoint, and a retailer standpoint, it's absurd. All that we had is we have these brand managers, who are doing these line extensions, some good, some bad. When Heinz came up with their purple ketchup, that was a hit for kids. Then, that brand manager said, "Okay, great. Let me have a yellow ketchup, and a green ketchup." The whole thing just got blown out of the water, nobody wanted it, especially retailers. These small innovative brands are the key to growth, no question about it. Frankly, they meet a consumer's need better than ever before. Consumers, because of the internet, are exposed to more ethnic foods, to more cuisines, more recipes from around the world.

The food world has gotten more much smaller, so the idea that you're going to buy Heinz ketchup every other week for your family, that's gone, because people are willing to try other ketchups, other condiments instead of ketchup. It's not the lock that these brands had for decades and even a century. The consumer has changed. What they have been very slow to recognize is that consumer's change. It's not about having an organic Heinz ketchup. That's not it. It's not about having a jalapeno Heinz ketchup. It's expanding that. It's looking at that condiment shelf in its entirety, and asking for example, "What else can people put on a burger, instead of ketchup, or on french fries instead of ketchup?" Then, when you start looking at that, your mind opens up to all the possibilities.



What are the products you should have? What are the products you shouldn't have? Really focus in on the consumer, and the use of that product and what it's competitive frame is. The soda companies are a great example. Soda never saw bottled water as a competitor. They didn't. They felt that people are in love with brown bubbles that are loaded with high fructose corn syrup. Nothing is ever going to get in the way of that. Well, yeah, look at what's happened with Coke and Pepsi, and they can fool around all they want with smaller sized cans, and so on. People just don't have the relationship with soda that they did years ago. There's more health information that comes out about whether it's sugar, or salt, or fat, people are smarter than ever before. A brand, an emerging brand, really needs to understand their consumer. Big brands take way too long to figure it out.

If you look at Mondelez, when Kraft broke it into two companies, Irene Rosenfeld saw that their growth, especially in confections, and cookies, and crackers, and so on, was not in the U.S.. What they were able to do is expand globally and it kept their sales growing as a company. However, when you look at the U.S. market, and then other more developed markets, those sales are down because the consumer doesn't want those products as they are today. They need to be reformulated. I remember when Kraft did the 100 calorie pack, the number one complaint that they had from customers on the 100 calorie packs was that there wasn't enough food in them. Sure, you can take the same product and put it in a smaller package, and say it's 100 calories, that's not what consumers want.



What they want is for you to reformulate your product to have a clean set of ingredients, to be transparent, to have a better nutritional profile. Great, if it's a 100 calories, so be it, but just taking your same old product and putting it in the smaller package, that doesn't last for long.

Dan: I've got to admit that when I walked down the soda aisle recently, and I usually don't buy a lot of soda, but those cute little cans, and I say cute because they're so little, those 100 calorie cans, I was like, "What's it going to be when it grows up?" On that note, well, adding more products, more of the same thing to the shelf, all it does is confuse customers. So this ties nicely back into what you were saying, where we started this insightful conversation. Consumers want transparency. They read the labels. They want to know what's in the product. They want to be able to trust it. They want authenticity. They want to believe and know that they're getting the best nutritional value. I have one more question for you, because I certainly want to be cognizant of your time. I believe that if you are what you eat, then what you eat matters, here's where I'm going with this.

Cows are not designed to eat grain or to eat hay. Cows are designed to eat grass. If you eat something that has a cow, or meat, or milk, or whatever in it in terms of an ingredient, and you're getting it from a cow that is not eating grass-fed milk for example, then, that's not going to sustain you as long. The whole point is this. If I go to the shelf and I see an item and it's \$4.50 for the best mainstream item on the shelf, then, I find one next



to it that's organic, maybe grass-fed, et cetera, and that particular item might be a \$.30 or \$.50 cents more, it sustains me longer, so it's a lot cheaper in the long run. What I've been trying to get brands to start really focusing on is the the satiating piece. In terms of satiation, those products are better for you, healthier for you. They satiate you longer, therefore it's actually cheaper in the long run. Your thoughts?

Phil: Absolutely right. An example that I always use is chocolate, and everybody loves chocolate. Well, if you get a piece of dark chocolate, 80% cacao, you have one inch square of that chocolate, it's very satisfying. You go next day, and you have a Milky Way, which is 10 times bigger, and loaded with artificial, or whatever is in a Milky Way, I haven't looked in years, you're going to be hungry at the end of it. There is an importance of understanding what empty calories mean. Empty calories for people is not a healthful way of eating. To your point, if we want to make our lives better and healthier, and I'll go one step further besides being satisfied with what we eat, the other thing to recognize is frankly, that what we have is we're going to have a better outcome at the end of our life and that's critical.

We're going to spend less money, we're going to be able to, frankly, just have lower health care costs. We're going to have a better quality of life. We've got to really think very holistically about what we eat and what we put in our bodies. That doesn't mean loading us up with vitamins and supplements. What it means is eating as close to nature as possible.



Dan: Well said. I wish we had more time to talk about this - it's so important for our industry to hear this. We could keep going for hours. Again, I really appreciate your insights and your time. Food is medicine. Consumers are now looking for better nutritional products to be preventative as opposed to curative, because it fuels everything you're doing, your activities. In fact, actually, that's what I talked about yesterday on the CMA webinar with Bill Bishop. Phil, I really appreciate your time. Again, thank you, thank you, thank you for coming on. What parting thoughts do you have and how would you recommend people get in touch with you in terms of learning about what you have to offer? Because, again, I can't say it enough, you've got such a tremendous wealth of information at your fingertips.

Phil: Well, first, Dan, thanks for including me and having this discussion.

Dan: You're welcome.

Phil: I think it's great. As far as contacting me, either supermarketguru.com, or phil@supermarketguru.com. Look at all of our social media at Phil Lempert on Twitter ([@PhilLempert](https://twitter.com/PhilLempert)), at Supermarket Guru on [Facebook](https://www.facebook.com/supermarketguru). The same thing on Instagram, and LinkedIn, and all of that other stuff. That's how you can get in touch with me. Yeah, my last thought is really simple, it's getting into stores, it's talking to consumers. What I do in stores is I'll walk up to a consumer. I'll tap them on the shoulder, and I'll say, "Why are you buying this? Why aren't you buying that?" The more direct contact that we can have with consumers, the better



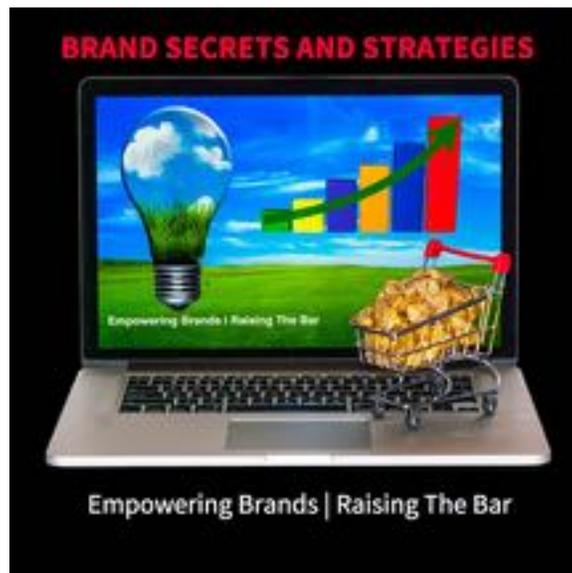
information that we have. To keep in mind that it changes every day. The trend of today, something hot, doesn't mean that tomorrow it will be. People always point to kale as this revolution.

Well, it wasn't a revolution. Kale was around in supermarkets for about 40 years. It was actually used to decorate the deli case because nobody bought it and it's indestructible. All of a sudden, people started eating it, and growers, and produce managers are laughing hysterically. Why would you eat this? It's inedible. Then, what the industry discovered in talking to consumers is that baby kale is really the solution, because it's more tender, it's more flavorful, and so on. That whole industry shifted to baby kale, because that's what consumers wanted. We can't stop. We've got to look at the changes at retail. We've got to look at the changes that consumers go through. It's like being a hamster in a cage with one of those wheels, that you're just constantly turning around. If you want to be a food entrepreneur, you got to be that hamster.

Dan: Well said. Again, thank you so much for your time. I can't thank you enough for coming on today. I really appreciate your insights.

Phil: Thank you.

Dan: Thanks, Phil. I want to thank Phil for coming on today. What a tremendous resource. So many things we've been talking about all along, Phil validated. We talked a lot about the importance of a solid selling story, about how you need to leverage that unique relationship that you have with your customers to help you



educate retailers on how to get on the shelves. You need to know your market. You need to know what's going on in the industry, et cetera. I highly recommend that you leverage Phil's resources, and bake them into your sales story. Consume the many resources that he has. Use them to understand what's driving sales in a given market. What are the trends in the market? Look at his product reviews, they're fantastic. I'll include links in the show notes, and on this episode's webpage to the Supermarket Guru and all the different ways that you can get a hold of Phil.

The show notes for this episode are [brandsecretsandstrategies.com/session32](https://www.brandsecretsandstrategies.com/session32). Today's freebie is a very special gift for our industry. It's my course: "Turnkey Sales Story Strategies". You can access it by instantly, by going to [brandsecretsandstrategies.com/growsales](https://www.brandsecretsandstrategies.com/growsales). Again, it's [brandsecretsandstrategies.com/growsales](https://www.brandsecretsandstrategies.com/growsales). It's a free course. It covers many of the things that Phil and I talked about today. Bottom line is this — it's all about helping brands, any brand, develop a solid, selling story, so that then they can build a strong foundation to grow their sales on. A selling story that they can leverage with retailers to help retailers understand why you're different, and how you can help them drive customers into their stores, and how you can help them grow sales in every category. At the end of the day, that's what retailers need.

Thank you, again, for listening. I look forward to seeing you in the next show.



Thanks again for joining us today. Make sure to stop over at brandsecretsandstrategies.com for the show notes along with more great brand building articles and resources. Please subscribe to the podcast, leave a review, and recommend it to your friends and colleagues. Sign up today on my website so you don't miss out on actionable insights and strategic solutions to grow your brand and save you valuable time and money.

I appreciate all the positive feedback. Keep your suggestions coming.

Until next time, this is Dan Lohman with Brand Secrets and Strategies where the focus is on empowering brands and raising the bar.