

Convenience Store Decisions

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The Freshmen

Family Express dreamed up new fresh-food ideas that are anything but sophomoric

By Kate Buczko

When Indiana residents near towns like Valparaiso or Merrillville hear an amplified "moo" coming down the street, they don't have to worry about a stampede. It's just the audio "calling card" of a Family Express delivery truck. Like many chains, Family Express Corp. has shifted its focus away from the gas pumps and back into its stores. The chain upgraded its building exteriors and crafted a private-label fresh food concept, Cravin's Market, to position itself as a premier retail destination. Perishables including Cravin's sandwiches, baked goods, private-label milk and fresh flowers are delivered seven days a week by a fleet of specialized trucks that bear the signature of the Family Express milk program. The company hopes the trucks can create an image of freshness in the minds of customers.

"I'd say seven-day-a-week delivery in refrigerated trucks that moo is a good start to assuring customers you carry a fresh product," says Mike Rasnak, vice president of marketing for Valparaiso-based Family Express. "Cravin's Market, along with private label milk, are key profit centers for the company. Perishables give us a unique identity that both enhances and complements our upscale image—and it is extremely difficult to copy."

Premium program

The Cravin's Market offer features 23 fresh sandwiches plus a veritable garden's worth of salads displayed in 6-ft. to 12-ft. vertical refrigerated cases. The cases are



Family Express recently invested more than \$4 million in delivery trucks and a new distribution center. Custom trucks "moo"-ve fresh sandwiches, baked goods, flowers, and other perishables to the chain's network of 43 convenience stores.

planogrammed to highlight freshness, as each item is clearly labeled with 12 to 72 hour expiration dates.

Each case's top shelf carries quarts and pints of dairy and juices along with an assortment of packaged yogurt. Shelves below the Cravin's sandwich items hold fresh fruit and some pre-packaged snack foods such as the Lunchables line. And at the very bottom customers can find eggs, bacon, lunchmeats and cheeses. An adjacent fresh bakery case holds doughnuts, pastries and cookies.

If the fresh display isn't enough to pique a customer's curiosity, the chain's "tasting program" offers some additional insurance. Before they prepare the cold cases, employees follow a 12-page instruction manual on how to portion and present the Cravin's offer. No food sample can be displayed longer than 15 minutes, and the chain has developed specialized trays for hot and cold sandwiches. Employees are encouraged to taste the product before it goes on display to assure freshness. And even though the chain has posted a sign that reads, "Do you want to taste something great?" employees are



Trucks deliver goods from a central commissary and a dairy to the Family Express distribution center. The chain expects to further reduce distribution costs by having suppliers deliver goods right to the DC, where the merchandise would be re-routed to stores.

required to hold the tray and offer samples to customers, a tactic which Rasnak says lends itself to relationship building.

"Family Express has a very comprehensive labor model," he says. "It insures superior customer service and operational standards. We believe that before you can enter the fray of 'selling stuff' you first must have a strong relationship with your customer."

Family Express uses a Chicago-based floral supplier to stock its stores with seasonal flowers and plants that are displayed near the front counter in 3-ft. to 6-ft. pedestal stands. The company considers flowers an opportunity for additional sales, but the offer also enhances Family Express's image of "not your father's convenience store."

"It's a powerful business model that defies trends in the industry," says Rasnak. "We're not dependent on gas margins. Our Cravin's Market concept has returned profitability to the inside of the store and allows us to break our reliance on unreliable profit drivers. For the first two years of the program we dropped our net operating cost to even. This year our cash flow net operating cost breakeven is below zero. And there's a special bonus—it's fun!"

Analyze and let it be

Family Express needs Cravin's Market to be a "fluid" program, so new items are added and deleted continuously. The assortment reflects seasonality and current trends, while offering a foundation of base

items that customers can expect to see with each and every store visit.

The company gauges product acceptance by store. Last summer it added wraps following the "lighter eating" and low-carb trends. Each day stores order a specific number of sandwiches and adjust on a daily basis determined by individual store sales. But Family Express has no intentions of micro-managing the category.

"Hyper management of perishables in a convenience store could be a category killer," says Rasnak. "We don't change the assortment too often because we feel we have a wide variety already in place so customers can try something new every day and the offer won't get stale. We can't realistically believe customers will choose to use us every day, but when they can't imagine eating another burger or taco, they know they can always find something that appeals to them at Family Express."

Spend money to make money

Centralization of labor promises great savings for Family Express. Currently the chain uses a local dairy to produce its private-label milk, which is delivered to the chain's new distribution center for store delivery. Another truck picks up the commissary and bakery items and brings them to the distribution center to be cross-docked. Then three of the company's four moo trucks are routed to the chain's 43 stores. As Family Express finishes its distribution center, which is within a 90-minute drive of all stores, it expects the

DC to become the hub of operations for fresh foods and other goods.

"This whole process is still very much a work in progress, but we see a tremendous competitive advantage from the range of options it has presented, in addition to the logistical efficiencies," Rasnak says. "Our ultimate plan for the distribution center is to do our own sandwiches and bakery in-house, then ship them to the stores. We also plan to build a 1,200 sq. ft. freezer so we can ship our own ice cream and frozen novelties."

Family Express anticipates that once the DC is complete, it can benefit from reduced distribution costs by having suppliers deliver bread, snacks and store supplies directly to the DC rather than having vendor trucks stop at individual stores.

Family Express has made a tremendous capital investment that requires a serious commitment. Initial costs included investments in substantial equipment for stores, along with product development and marketing costs. Last year, Family Express purchased its four moo trucks and two 48-ft. trailers, all equipped with global positioning satellite systems. Add on the cost of its distribution center and the company has invested more than \$4 million in the project. But the investment should continue to reap tangible benefits. "Have we seen a return? You bet, but more importantly we see the potential," says Rasnak. "One of the best measures of success—besides sales, of course—is that our customers ask for our brand by name. Our customers don't call the product a turkey sub or a Long John; they refer to the Cravin's Turkey Sub or the Cravin's Long John. That's exactly the type of identity and recognition we had hoped for."