

Save-A-Lot **MarketBuster**

Summary

Beginning as a small grocery store in Illinois in 1977, Save-A-Lot continues to deliver high-quality goods at low prices to its customers. The concept was developed by the company's founder, President and CEO, Bill Moran. With over 1000 stores nationwide, the company continues to expand into new markets with more products. By providing only the most popular sizes, carrying out bulk purchases and having store management efficiency, they promise prices lower than Kroger or Wal-Mart. It falls under the novel category of no-frill supermarkets that do not house fancy bakeries, pharmacies, and florists which help them keep their costs low. The company caters to value-conscious shoppers that want to save and estimates a potential customer base of 120 million people in the USA. Today, with more than 1,250 stores, Save-A-Lot is the nation's fifth largest retail grocery chain under a single banner.¹

The Story

Founder, Bill Moran worked for a grocery wholesaler in the 1970's and identified an opportunity for small groceries to compete against mega-stores. Grocers had to enter underserved remote locations and provide the necessities through efficient processes at the lowest prices. Moran's idea was adopted by General Grocer Co. in 1978 and the assortment format was applied to five stores in St. Louis. Increasing awareness and popularity expanded their reach into 29 locations. General Grocer underwent a series of acquisitions and Save-A-Lot is now a wholly owned subsidiary of SUPERVALU Inc. By 2001, the company had its 1000th store and acquired Deal\$, a dollar store and expanded it into 135 locations.

Save-A-Lot makes shopping convenient and offers huge savings to people. Their business model supports small size stores that reduce overhead expenses, in turn reducing costs for the customer. They also offer inspected meats, vegetables and fresh fruits and carry only the most popular sized items which are sold out of the shipping cartons. This practice reduces unwanted labor and shelving costs. Since they buy one size in gigantic proportions, they exercise high buying power with their suppliers to get items at lower costs for all their branches. All their store locations operate from 16 strategically located distribution centers that allow quick and cost-efficient delivery of products when required.

The company provides employment to over 10000 people in urban and rural settings, along with educating customers on healthy nutrition to combat obesity. They encourage their workers to help out the community and donate work hours to interact with them. The company highly values its employees and helps them in their career advancement. They hire talented people of all backgrounds, cultures and ages and were recognized by the White House for their hiring practices as well as interaction with communities in need.²

¹ 'Save-A-Lot' About Us

² *Ibid*

MarketBusting Moves

As America's leading extreme value, limited assortment grocery chain, Save-A-Lot effectively deploys the following MarketBusting Moves:

- #1: Reconstruct the Consumption Chain
- #10: Add a Compelling Parallel Offering
- #14: Radically Improve your Productivity

#1: Reconstruct the Consumption Chain

Save-A-Lot entices customers with its low prices and suppliers by waiving off their slotting fees to place their products on their shelves. Providing branded products and quality items to its customers makes them return to the store. Unlike other mega-stores, Save-A-Lot asks its workers to label "Oops" on damaged products and markdown their prices rather than having the suppliers come back and take their products away. As a hard discounter, they display their products in cardboard boxes and charge a dime for bags.³ About 75% of its stores are run by licensees and stock minimal amounts of inventory. They have successfully managed low overhead and inventory, efficient labor use, distribution and merchandising to provide exactly what the customers are attracted to, low prices.

#10: Add a compelling Parallel Offering

Save-A-Lot has been expanding its locations across the nation as deep-discount supermarkets and dollar stores. Its parent company, SUPERVALU Inc. had opened about 170 of these combo stores by 2004 and plans to open another 350 this year. They offer daily grocery selections, house wares, health and beauty items, children's toys, party supplies and many other products. The company's combo stores were considered unique and impressive by some analysts.⁴ They try to provide consumers with several products in limited sizes at very low prices. These small stores are placed next to their dollar stores in relatively smaller neighborhoods. Further expansion into more product lines and making some of their stores a one-stop-shop for customers is probable in the near future.

#14: Radically Improve your Productivity

The company has found many innovative yet simple ways to increase its efficiency and reduce its costs. By targeting a lower income population, they provide them with the basic items – the products. There are no grocery baggers, pharmacies, floral departments, bakeries and other frills which increase overhead costs, in turn making products more expensive for consumers. Chairman Bill Moran, asked his workers to save time by not spinning cans to have their labels facing forward. In addition, they designed some cans to have two identical faces to prevent workers from spinning them.⁵ Save-A-Lot purchases only the most popular size of a product and orders this for the 1200 stores that it has which gives them a substantially high buying power over their suppliers due to the bulk purchases. These practices and many more have allowed the company to increase their productivity and find efficient practices to provide quality products at reasonable prices.

³ 'No Frills Grocer goes where other chains won't', Wall Street Journal

⁴ 'Save-A-Lot goes combo'

⁵ 'No Frills Grocer goes where other chains won't', Wall Street Journal

Key Lessons

Save-A-Lot has found success and continues to grow due to several reasons. Under the leadership of its founder, Bill Moran, the company has quickly become the leading extreme value grocery chain in the US. By delivering the right products to the right market at the lowest cost, they have even attracted shoppers that are not so value-conscious. They have limited their variety, sizes and eliminated fancy frills that increase overhead and have thus developed a very high buying power due to its bulk purchases. Several time-saving methods have been adopted to improve worker productivity such as discontinuing the practice of 'spinning labels' on shelves. Save-A-Lot's relations and terms of operation with its suppliers have eliminated any bottlenecks in the supply chain allowing smooth flow of goods with minimal inventory or waste. The grocery chain now has many branded food makers such as Kraft, Sara Lee and General Mills that want shelf space in Save-A-Lot. Their innovative practices and constant improvements have been pivotal to their growing success.

DRAT Table, Save-A-Lot**SOURCE**

External

Powerful Incumbents	Stiff competition from domestic and international companies.
Opposition from advocacy groups	N/A
Risk to key external stakeholders	N/A
Inertia	Continually innovating processes with further expansion into underserved segments.
Disruption of customer's and system or process	Maintain current customers and attract new segments through their low price, location convenience and quality.
Changes in standards or regulations required	N/A

Internal

Internal political	Company has an enterprising leader and efficient management team overseeing several operations at the many locations across the USA.
Reluctance or resistance by those needed for active implementation	People comfortable with current products, price and service.
Resource Constraints	No frills to reduce overheads, only basic needs available.

Platform changes required

Human resource and skills platforms	Greater expansion will require more employees.
Logistics platforms	Keep looking for cheaper and faster ways to deliver products to the consumer; increase the speed of the supply chain.
Distributor platforms	Expanding distribution centers and store locations.
IT and database platforms	N/A
Technology platforms	N/A
Assets, operations, and systems platforms	Increased interaction between the supply chain links to eliminate bottlenecks, reduce costs and deliver products faster to the consumer.

Marketbusting Kite

Element	Needed to Support the Marketbusting System
Agenda The key things that the critical people spend time on	1. Commitment to low-cost, quality products 2. New ways to increase efficiency 3. Expansion by area and products
Norms What principles and behaviors are valued?	1. Lowest costs for customers 2. High regard for its employees 3. Customer satisfaction
News What information and measures are paramount?	1. New products and supplier prices 2. Market share and areas of demand 3. Continually innovating processes to maximize efficiency and minimize costs
Allocations What gets resourced and how are people rewarded?	Resources go to 1. Store location expansion 2. Benefits for employees 3. Marketing efforts Rewards and recognition for successes go to 1. Innovative ideas 2. Successful market entry and dominance
Structure Power, authority, responsibility structure	1. Large number of stores including franchises 2. Dynamic leadership from founder and CEO
History Key routines that have developed and drive activities	1. Providing the most basic needs to reduce overhead costs 2. Innovation in methodology, distribution, marketing 3. Building relations with distributors, suppliers and customers

Sources

- 'Save-A-Lot' About Us. Retrieved: September 12, 2005 from <<http://www.save-a-lot.com/display.do?page=ourgrowth>>
- Adamy, 2005. 'No Frills Grocer goes where other chains won't', *Wall Street Journal*, 30th August, p.1.
- Duff, May 3rd 2004. 'Save-A-Lot goes combo', *DSN Retailing Today*, Vol. 43, Issue 9, pF1-F1, 1/4p