


2017
Retailer
of the
Year



The Publix TRUST

Supermarket chain's 'relentless pursuit' of customer service includes the value it places on its own brands. It's the reason Publix is our 2017 Retailer of the Year

By Lawrence Aylward

Consumers often hid them in the kitchen pantry behind the tall boxes of brand-name cereals and cake mixes so nobody could see them. They were eaten, perhaps, in secret. Tim Cox, director of creative services for Publix

Super Markets, remembers well the erstwhile buyers of private label products from the Lakeland, Fla.-based grocery chain. Back around 2000, consumers weren't exactly permeated with pride upon purchasing Publix's store brands, Cox says.

"People didn't necessarily want others to know that they had bought them," he adds.

Cox, whose team works on the branding and promotion for Publix's private brands, knew something had to give. So he and his marketing partners embarked on a consumer research study to learn some things about Publix and its private brands.

What they discovered was that while consumers trusted the Publix name, they didn't think highly of Publix's private brands mainly because of the products' packaging design. Cox and his team also detected that consumers generally lacked awareness of Publix's own brands, which then consisted mainly of name-brand knockoffs.

Rather than push the panic button, Cox and the Publix brass viewed the situation as an opportunity. They felt they had quality own-brand products but not the packaging and marketing to support them. Knowing they had the public's trust, they challenged themselves to make Publix's private brands a component of that loyalty.

"What we did was design a new proprietary system to leverage our name and the quality of our products," Cox says.

What was born shortly after in 2002 was the Publix Brand of private label products, featuring a clean, white packaging design with the well-known



Publix at a glance

- ▶ Founded in 1930 in Winter Haven, Fla., by George W. Jenkins.
- ▶ One of the 10 largest-volume supermarket chains in the United States.
- ▶ Largest employee-owned supermarket chain in the United States.
- ▶ 1,141 stores in six states: Florida, 775; Georgia, 184; Alabama, 64; South Carolina, 57; Tennessee, 40; North Carolina, 20.
- ▶ 2015 retail sales of \$32.4 billion.
- ▶ Nearly 190,000 employees.
- ▶ Company's three dairy plants produce enough private brand ice cream annually to make more than 400 million single-scoop ice cream cones.



“black dot,” a circular emblem featuring the Publix logo. What Publix sought through the own-brand line was continuity — the retailer wanted all products to appear different from their respective national brands but more uniform in packaging.

“Our customers were then able to readily identify the Publix Brand,” Cox says.

That they did — big time. Shortly after the conversion, customer inquiries began pouring in asking if Publix had increased its private label line.

“But we didn’t increase it,” says Maria Brous, Publix’s director of media and community relations. “All that had changed was the packaging. But awareness grew significantly among our customers.”

Around the same time, Publix also pumped up its Publix Premium line, which had consisted of only a handful of products dating back to 1994, with many new items including select coffees, ice cream, sauces and other specialty products. In 2003, the retailer added its Publix GreenWise

brand, featuring organic and free-from products.

In the past 14 years, Cox and the Publix team, including Karen Hall, Publix’s director of emerging business and private brands, have kept a close watch on the three tiers — strategically adding and subtracting items to keep up with and stay ahead of the trends. Hall and Beth Ware, a store brand specialist, are constantly studying data and customer feedback to identify gaps in private label tiers for possible new products.

Today, Publix’s private brands exemplify everything that contemporary store brands should be — from quality and value to distinction and personalization. Publix, which began in 1930 and has grown to more than 1,140 stores in six states, is not only hailed as one of the top supermarket chains in the country, it is also highly regarded for its own brands. It’s why *Store Brands* is recognizing Publix as its 2017 Retailer of the Year.

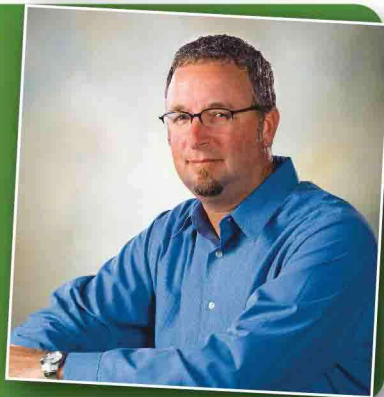
In addition to the three tiers, Publix also offers an



intangible “fourth” tier, which private label experts say is crucial to today’s store brand success. As Hall puts it, Publix is in “relentless pursuit” to achieve outstanding customer service, not just by having attentive and affable store associates, but through other measures that directly impact the quality and reputation of its own brands. So “relentless pursuit” is also about implementing the latest food safety measures, using the finest ingredients from suppliers, making sure suppliers adhere to environmental and animal welfare policies, and constantly meeting the evolving tastes of consumers.

“We’re consistently looking at our branding systems to evaluate them and to make sure they are still effective in the market place.”

— **Tim Cox**, director of creative services/marketing



“Everybody at Publix has a role in servicing the customer,” says Floyd Freeman, Publix’s director of manufacturing and supply purchasing.

A loyal following

Late last year, the Temkin Group, a customer research and consulting firm, listed Publix No. 1 in its Temkin Loyalty Index, which surveyed 10,000 consumers to evaluate customer loyalty for 294 companies across 20 industries. The study evaluated consumers’ likelihood to do five things: repurchase from the company, recommend the company to others, forgive the company if it makes a mistake, trust the company, and try new offerings from the company.

This was all good news for Publix’s private brands. After all, Publix’s goal with its store brands is to get consumers to trust them enough to repurchase them, recommend them and try new items.

“Trust ... at the end of the day that’s what it’s really all about,” says Michael Roberson, Publix’s director of corporate quality assurance.

The Publix Brand comprises most of the retailer’s private brand sales and includes more than 3,000 SKUs. The products in the line are billed as good or better than national brand equivalents and cost less.

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But Hall is quick to point out that the Publix Brand is not promoted as a value line.

“That’s not the type of customer we are targeting,” she adds. “Not that value isn’t important, but we want people who buy any of our brands to be confident that they are purchasing high-quality products.”

The Publix Brand has held up well, even through the Great Recession during the late 2000s when other retailers embraced lesser-quality “value” brands to sell more private label.

“People may have made tradeoffs because of the

bad economy, but we were still able to retain our customer base with our Publix Brand,” Brous says. “Consumers realized they could still get a great value without having to sacrifice quality.”

The Publix Premium line capitalizes on distinct offerings and new flavor trends, such as Tomato Garlic Marinated Mussels. The retailer also promotes the cost savings on certain products in the line. In a recent print circular, Publix touted that consumers could “Get more *mmm* for your money” by choosing Publix Premium Blended Greek Yogurt (five for \$4) over Chobani Greek Yogurt (10 for \$10).

Cox says the line, which contains more than 350 SKUs, was designed and is maintained to “express the specialty and quality nature of these products.” Publix Premium products are packaged in black, which makes them appear distinct in store aisles.

Like many retailers’ organic and free-from lines, Publix’s GreenWise line is growing like wild strawberries. Last year, Publix introduced about 50 new products to the line, and Hall expects about 100 new products will

The Publix Brand is the retailer’s first tier but is not a value brand. ▼



be added this year, including organic waffles, granola and nut butters in grocery, organic soup in deli and organic-sprouted wheat bread in bakery.

The three tiers also have a solid presence in Publix's fresh foods department, including bakery, meat, deli and produce. Recently, Publix expanded

GreenWise to the deli and bakery departments.

Jane Pixley, Publix's business development director of bakery, is always pushing the own-brand angle in fresh foods.

"I always get asked by customers, 'How much local product do you do?' I tell them that we're making it from scratch in the store, and you can't get any more local than that," Pixley says. "In the deli, [our employees] are hand-breading and frying our chicken. [In the meat department], they are cutting and grinding. Customers can always see our mixers, ovens and meat cutters at work."

The loyalty factor is a two-way street. Publix knows how vital it is to be loyal to its customers. This is where service, that all-important fourth tier, has had a tremendous impact.

"Our competitors can't replicate our people," Brous says. "We're about having relationships with our customers and meeting their needs. We're in our 87th year, and we have never changed our core philosophy or culture."

The fact that Publix is an employee-

Experience counts

There's something to be said for the long number of years that employees work at one company. Lengthy tenures equate to extended knowledge. In Publix's case, several people have worked for decades for the company, which has impacted its own brands in a positive way. The following are some of those employees (with their current titles):

- ▶ **Floyd Freeman**, (pictured right) director of manufacturing/supply purchasing – 42 years.
- ▶ **Jane Pixley**, business development director of bakery – 38 years.
- ▶ **Tim Cox**, director of creative services/marketing – 36 years.
- ▶ **Karen Hall**, director of emerging business and private brands – 33 years.
- ▶ **Karen King**, director of industrial operations and business development – 25 years.



owned company — and the largest employee-owned supermarket chain in the United States — has everything to do with its employees wanting to embrace service like a bear hug.

“There is skin in the game,” Brous says. “You go to work every day knowing that you own a piece of this.”

Publix GreenWise (tan products) and Publix’s Premium (black products) comprise the retailer’s high-end store brands. ▼

Tough customer

Publix, in addition to working with outside suppliers, has its own manufacturing facilities: three dairies (Lakeland; Deerfield Beach, Fla.; Lawrenceville, Ga.),

two bakeries (Lakeland, Atlanta), one deli kitchen (Lakeland) and four fresh foods operations (Lakeland, Deerfield Beach, Lawrenceville and Jacksonville, Fla.).

“We have one captive customer, which is Publix,” says Karen King, Publix’s director of industrial operations and business development. “We see the manufacturing investment as a competitive advantage. We can provide low-cost and differentiated products with proprietary recipes.”

Like any manufacturer, King says Publix is always looking to control costs and make sure it remains



relevant to its retail business. Publix manufacturing is the largest food supplier to Publix Super Markets in food dollars but not SKUs.

“We don’t just develop products out of the box,” King adds. “We work together with retail and make

sure we are investing our resources where retail needs them.”

Publix takes pride in being a tough customer — to its own manufacturer and outside suppliers. “If you talk to our suppliers, they will say we are

Publix’s pride extends to dairy facilities

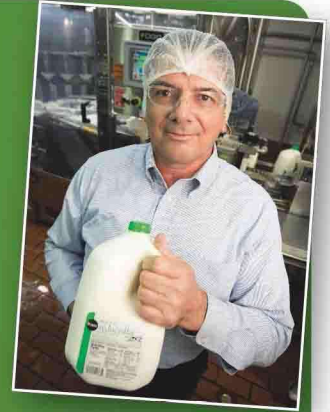
Publix Super Markets is renowned for its own-brand ice cream, especially its distinct limited-edition offerings. Consider Coconut Expedition, where “coconut snowdrifts collide with caramel streams to create an uncharted taste experience.” One reason consumers prefer the ice cream over name brands is because Publix manufactures it in its own dairy plants.

Publix has three dairy plants, including its original plant located near its headquarters in Lakeland, Fla. The other two plants are located in Deerfield Beach, Fla., and Lawrenceville, Ga.

Greg Rudolph, general manager of dairy manufacturing at the Lakeland facility, says the original facility, which opened in 1980, was the brainchild of the late Joe Blanton, who was president of Publix at the time. Publix was one of the first supermarket chains to open its own dairy facility.

“He thought if Publix built a dairy manufacturing plant, it could produce a product of greater quality and higher value to pass on to consumers,” says Rudolph, who has worked at the plant for 33 years. “The plant was one of Mr. Blanton’s favorite accomplishments at Publix [while he was president.]”

The Deerfield Beach plant was added in 1988, and the Lawrenceville plant in 1995. Combined, the facilities employ about 575 people and produce about 1.7 billion pounds of product annually for Publix’s 1,141 stores in six states. The facilities manufacture milk, ice cream, yogurt, cultured products and other nondairy items.



Greg Rudolph oversees the plant as general manager.

The plants work with local dairy co-ops to secure raw milk. There are high standards.

“The regulatory guidelines say we can’t receive any milk greater than 300,000 direct microscopic count (DMC), which is the number of bacteria and organisms in the milk,” Rudolph says. “But we tell our co-ops that we don’t want any milk with more than 100,000 DMC. The co-ops have had to work hard to meet this higher standard of quality.”

The Lakeland facility is the largest dairy manufacturing plant in the Southeast, says Rudolph, who adds he has also been told by state regulatory people and third-party auditors that it is one of the most diverse dairy plants in the country. The facility can receive raw milk in the morning from the co-op, process and pasteurize it, and have it in stores in as little as eight hours, Rudolph says.

— Lawrence Aylward



among the toughest customers they have,” Brous says. “But they will always say at the same time that we are fair and consistent and know exactly what our expectations are.”

In terms of new products, nothing is rolled out until it’s absolutely, positively ready. Sometimes this can take up to two years. “If we put a product out there, we know we have done our research, and it’s going to be a quality product,” Brous says.

New items also aren’t rolled out without associates sampling them. It’s vital to the process, Pixley points out. One time, Pixley was standing unnoticed in the

checkout line at a Publix store when the cashier said to a customer in front of her, “Oh, you’re buying the new bakery item that was just introduced this week. I tried it this morning, and you are going to love it.”

“It was the affirmation from the cashier that the customer had made a good choice,” Pixley says.

Sometimes, outside suppliers will say that Publix needs to offer certain products as private label because their competitors offer them.

“But that’s all the reason we don’t want to offer those products,” Pixley adds. “We don’t want to be a me-too.”

In the future, Publix will challenge itself and its outside suppliers to deliver even more definitive private brands.

“It’s a whole different conversation than the conversation we had 15 years ago,” Brous says. “We want something that’s going to move the needle ... something that our customers don’t already have.”

What Publix’s customers absolutely won’t get are private label products they feel they must hide in the kitchen pantry. **SB**

“Not that value isn’t important, but we want people to be confident that they’re purchasing high-quality products.”

— **Karen Hall**, director of emerging business and private brands



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