

# FORWARD THINKING, FORWARD DOING

Hy-Vee is evolving at every level to be a retailer for the future.

By **Jim Dudlicek**

Photos by Vito Palmisano

**L**ife for traditional grocery retailers seems to get more challenging by the minute. Changing shopper habits, the rise of ecommerce and an increasingly splintered marketplace threaten to make “my grocery store” an outdated expression.

And the commitment of eetailing giant Amazon to the grocery channel with its purchase of Whole Foods Market — arguably the year’s biggest industry story — has observers in a tizzy, with worst-case scenarios tolling the bell for supermarket shopping as we know it.

The Amazon-Whole Foods deal is certainly a game-changer, but it certainly doesn’t mean the demise of the traditional grocer. Quite the contrary — *Progressive Grocer* believes it to be a wake-up call for grocery operators who’ve been up to now resisting innovation and change. To be sure, the industry’s leaders were making great strides in many key areas even before Jeff Bezos decided to don a white apron and direct folks down his endless aisle.

“I think you have to focus on experience and service, and not try to be Amazon,” says Randy Edeker, chairman of the board, president and CEO of West Des Moines, Iowa-based Hy-Vee Inc. “I tell all our folks this: We don’t have to be Amazon to the world. We have to be Amazon to Dubuque and to Iowa City. What we own is the relationship right now.”

#### TEAM EFFORT

CEO Randy Edeker is quick to praise the efforts of Hy-Vee’s family of associates for the company’s success, including these team members at the Savage, Minn., store (from left): Chip Lim, hibachi chef; Stephanie Liang, pastry chef; Malick Toure, deli clerk; Nyla Gosen, salad bar clerk; Oksana Oleksyszyn, beauty manager; and Hannah Hoepfner, Starbucks manager.

Hy-Vee, with 240 stores across eight Midwestern states, has proved itself to be an innovator and leader in key areas of importance: different store formats to better serve diverse markets, investment in click-and-collect services, chef-inspired prepared foods, in-store dining, health and wellness, and diversification in products and services — all toward the overarching goal of serving consumers at the highest level by delivering customized solutions for every need state.

These are among the reasons that *PG* has selected Hy-Vee as its 2017 Retailer of the Year.

Hy-Vee last received this honor in 2003. Much has changed over the intervening years, and Hy-Vee has demonstrated its ability to become what changing times need it to be.

“We know these people: They want to shop different, and I think that you have to go into it and be willing to learn, and not just play off your assumptions, because a lot of our assumptions have not

played out to be true,” Edeker told me during a recent interview with members of the Hy-Vee management team. “People will tell you that people don’t want to buy perishables online. That is not true — our top 10 items are perishables. I think you’re going to see a continued growth in ecommerce. I think it’ll be very strong in certain markets, and that’s what we’re seeing. Certain markets with certain demographics, we see that is the right spot to build a fulfillment center, and that’s what you’ll see us do.”

### 3 Pillars

Hy-Vee’s business philosophy, handed down through several generations of senior management, is to follow the lifestyles of its customers.

“Just pay attention to the direction they’re heading, and try and get there at the exact right time when they want us to be there,” Edeker says. “That’s easier said than done, and sometimes hard to predict,



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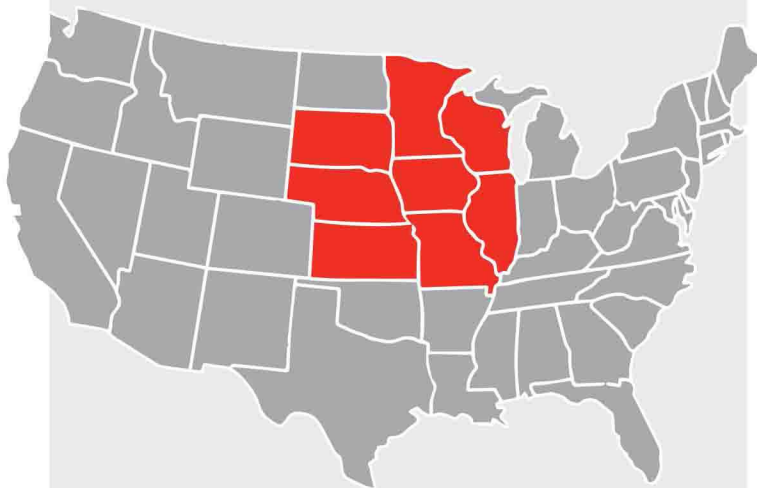
—Randy Edeker,  
chairman of the board,  
president and CEO

## About Hy-Vee

In 1930, Charles Hyde and David Vredenburg opened a small general store in Beaconsfield, Iowa. That store grew to become Hy-Vee, an employee-owned company that encourages each of its more than 82,000 employees to help guide the company. Its slogan, "A Helpful Smile in Every Aisle," expresses the foundation of the company's operating philosophy.

Hy-Vee is a touchstone for its customers' desire for information on diet, nutrition and wellness topics. The company's commitment to healthy lifestyles is evidenced by ever-growing HealthMarket departments featuring natural and organic products, the consulting services of in-store dietitians and chefs, and consumer and employee wellness programs. The company also sponsors the annual Hy-Vee Road Races during Drake Relays weekend at Des Moines' Drake University, and five Hy-Vee Pinky Swear Kids Triathlons across the Midwest that raise money for children with cancer and their families.

With sales of \$9.3 billion annually, Hy-Vee ranks among the top 25 supermarket chains and the top 50 private companies in the United States. Its more than 240 stores are located in eight Midwestern states: Iowa, Illinois, Missouri, Kansas, Nebraska, South Dakota, Minnesota and Wisconsin. Distribution centers are in Chariton and Cherokee, Iowa, with a third perishable operation in Ankeny, Iowa. Hy-Vee's corporate office is located in West Des Moines, Iowa. [www.hy-vee.com](http://www.hy-vee.com) ■



**240 STORES**  
**EIGHT STATES**



**82,000+**  
**EMPLOYEES**



but I think it just takes a lot of time studying the industry, studying life's trends and life stages. For all retailers, that's challenging. We're obviously in an evolutionary time."

Hy-Vee is driven by three platforms that grow and sustain the business: service and experience, health and wellness, and culinary excellence and expertise.

"Customer service has to be very customized," says Donna Tweeten, EVP, chief marketing officer and chief customer officer, providing an example of its evolution. "We have always had this policy that if a customer couldn't find something, and they approached you in the store and said, say, 'Where is the Velveeta?' we didn't just tell them 'Aisle 4,' we walked them there. It didn't matter if you were in the produce section and you had to walk all the way across — you took them to where it was."

Younger consumers, however, "don't want to speak to anybody," Tweeten notes. "But they still want to know where the Velveeta is. So we have to create new technology — call it 'Hy-Vee Siri,' for lack of a better term ... and the database will pull it up and answer back. That kind of customer service has to be layered on top of still walking the customer to the product. You have to do both. An 85-year-old isn't going to want to talk into their phone. And in towns where everybody knows everyone, they're going to want a different personal and customized experience."

Similarly, the concept of health and wellness has evolved. "It's not just pharmacy anymore — it's the dietitians, it's the clinics, it's Amber Pharmaceutical, our specialty pharmacy," Edeker says. "All play into that whole cycle of health and wellness, then tied back with our chefs to create food that's not only good for you, but tastes good."

Kristin Williams, SVP and chief health officer, says that Hy-Vee's customers "see us as a one-stop location where they can not only get their groceries, but they can meet with a dietitian, visit a health clinic, eat a healthy meal and enjoy many other convenient services."

To achieve these goals, Williams explains, Hy-Vee uses a multipronged approach that includes its retail pharmacy staffs, individualized care, retail dietitians to encourage lifestyle changes, and health clinics at more than 60 stores to provide convenient,

affordable access to medical services.

The third pillar, culinary excellence and expertise, is perhaps most visible in Hy-Vee's latest store launches, which have expanded the chef-driven selections of its full-service Market Grille restaurants into an enhanced perimeter food court that's setting the bar higher for quality, selection and customization of tastes.

"I think personalization and customization of food is the biggest trend," Edeker says. "The restaurant culture, the Food Network culture, has driven this knowledge base, and the accessibility of great food in unexpected places is an amazing thing. The expectation here is we're going to be knowledgeable and we're going to customize food to exactly the way that I want to eat my food today."

## Hy-Vee Diversifies on Customer Experience

Hy-Vee has entered into two strategic partnerships designed to strengthen its commitment to bringing customers increased access to culinary expertise, health-and-wellness choices, and new customer experiences.

As part of this effort to diversify its business model while reinforcing its mission of making customers' lives easier, healthier and happier, Hy-Vee plans to build, own and operate 26 Wahlburgers restaurants, nearly doubling the brand's current locations. Hy-Vee will also add select Wahlburgers menu items in all of its in-store Market Grille restaurants.

In addition, Hy-Vee will partner with Orangetheory Fitness to provide customers with convenient access to an intensive group-fitness program in or adjacent to Hy-Vee stores.

"These unprecedented collaborations reinforce our company's longstanding commitment to health and wellness, culinary expertise, and customer experience," says Hy-Vee Chairman, President and CEO Randy Edeker. "However, they also represent a bold step to deliberately evolve our business to meet the change in our customers' lifestyles and spending

habits. These partnerships keep us on the leading edge as the retail grocery industry evolves."

The first Hy-Vee-owned Wahlburgers will be located in the retailer's headquarters city of West Des Moines, Iowa, and is slated to open in mid-2018.

"Hy-Vee has been a great partner for us with our Performance Inspired Nutrition line. Their commitment to quality and innovation shows in everything they do," says Mark Wahlberg, actor, producer and co-founder of Wahlburgers. "I can't think of a better fit for Wahlburgers to introduce our family's hospitality to the Midwest."

Orangetheory Fitness is a program offering an intensive group-training workout. With 750 studios open nationwide, the company is on track to open 1,500 in the next two years.

As well as teaming with Orangetheory to offer customers a fitness experience in or adjacent to Hy-Vee stores, the grocer will direct its dietitians to work with Orangetheory members to offer dietetic services, provide samples of nutritional products and lead store tours to showcase items that align with member needs.

This partnership creates an integrated fitness component to bolster Hy-Vee's focus on health and wellness, which also includes in-store dietitians, HealthMarkets, chefs, fresh and organic produce, and pharmacies.

The first Hy-Vee Orangetheory Fitness location will open in 2017 in Minnesota's Twin Cities, a significant growth market for the retailer.

"Orangetheory is a revolutionary fitness experience, which, combined with Hy-Vee's health offerings, creates a one-stop shop for wellness," says Orangetheory Fitness Chief Brand Officer Kevin Keith. "Like our members, we know that many Hy-Vee customers are looking for more convenient ways to access fitness and healthy-eating options in one location — this partnership solves that need."

Innovation has become especially important to Hy-Vee as customer lifestyles and attitudes toward retail shift. In addition to these partnerships, Hy-Vee will continue to explore new ways to evolve while maintaining its core focus.

"At Hy-Vee, we are committed to meeting our customers where they are — whether that is in a retail grocery environment, restaurant or online through our Aisles Online program," notes Hy-Vee EVP of Strategy and Chief Merchandising Officer Jeremy Gosch. "These partnerships are just another example of Hy-Vee listening to the needs of our customers." ■



This trend is further evident in recent statistics showing that, for the first time ever, food purchased away from home has surpassed food consumed at home, leading Hy-Vee as well as other retailers to invest more resources in fresh prepared foods, as well as solutions such as meal kits aimed at making “What’s for dinner?” a simple question for consumers to answer.

“We’re going to continue to work on foodservice,” says Jeremy Gosch, EVP of strategy and chief merchandising officer. “We’re going to continue to dive into food away from home with our restaurants, and expand and open restaurants and get them into stores that they’re not in today. We’ll continue to work on meal solutions for customers, to make it easy to cook and to solve your nighttime meal.”

### Diversification

Hy-Vee’s latest venture, announced not long before this story went to press, encompasses two of its three pillars: the retailer has entered into strategic partnerships with casual dining chain Wahlburgers and fitness concept Orangetheory (see sidebar on page 32).

Diversification at Hy-Vee runs deep, from the wide variety of prepared foods and meal solutions, to upscale beauty and clothing concepts at its newest stores, to a variety of store formats in various stages of implementation, all aimed at addressing specific consumer needs and making shoppers’ lives easier.

A year ago, Hy-Vee launched its first F&F clothing boutique, a 3,000-square-foot department in one of its Des Moines-area stores. F&F, a brand of U.K. retailer Tesco, offers men’s, women’s and children’s clothes,

## Where They’re Coming From

The folks running Hy-Vee don’t just have deep roots in grocery, they also have a keen grasp of what consumers want and how to shoot well above their expectations. Their long industry experience on multiple levels of their company has influenced their vision of where Hy-Vee needs to be as a leader, an innovator and a survivor of the revolution currently taking place in retail.

EVP and COO Jay Marshall started working for Hy-Vee on his 16<sup>th</sup> birthday, 35 years ago, in between his high school and college commitments. “Then I just started on the ladder of responsibility, worked through all the management roles in the store, became a store director, ran two stores,” he recalls. “Ran a district of stores, and then moved into the office. I’ve had responsibilities all over the office, from merchandising, marketing [to] now operations.”

Marshall notes the unique diversity of Hy-Vee’s marketing territory: “We’re in big cities of 3 million people, and then our smallest store is in a town of 800 people. So the store size and the client base is very diverse. We have real small towns, and then big cities, but we’re also spread out; we’re in eight states. So we’re pretty diverse across our chain. I think that’s pretty unique.”

What does Marshall admire most about Hy-Vee?

“We know we’re a big company, but we think like family and we always want to put our employees and our customers first, and that really serves us well,” he says. “That ends up getting us more dollars in the till at the end of the day.”

Similarly, Jeremy Gosch, Hy-Vee’s EVP of strategy and chief merchandising officer, started working in his hometown’s small grocery store at age 15, and then joined Hy-Vee when he went to college in 1995.

“I’ve spent most of my working years in the grocery store, worked my way up,” he says. “I was a store director for about 11 years, and then I became a district

VP, and then I moved into the office almost four years ago.”

Gosch also appreciates Hy-Vee’s “small-big” feel. “We all know each other well; we have a lot of great relationships throughout the system. We still really work hard to take care of our customers and our employees at the same time,” he says. “I think our autonomous structure — letting stores run and make decisions at store level, and do the right thing for their markets and for their customers — is something that’s unheard of in our industry. I think those are all things to admire.”

Kristin Williams, EVP and chief health officer, likewise began as a cashier at a Hy-Vee drug store while in high school in 1993. “It was a wonderful first job that helped instill the fundamentals of Hy-Vee at a young age. Eventually, I landed a position as the pharmacy clerk, a job in which I learned about the central role pharmacists play in the lives of their patients,” she explains.

*Continued on page 37* ►



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**—Jeremy Gosch, EVP of strategy and chief merchandising officer**



contemporary designs in a setting meant to evoke trendy mall stores.

Hy-Vee has been gradually rolling out the F&F concept at additional stores, including in the Twin Cities suburb of Savage, Minn., earlier this year. The Savage store is the first in the Twin Cities to include Hy-Vee's Basin beauty concept, which offers all-natural bath and beauty products in a 2,200-square-foot department reminiscent of a spa environment.

These destination concepts are Hy-Vee's way of generating new excitement in center store while delivering on additional consumer needs for convenient shopping.

Of course, food remains the key driver. "Almost everything we do

◀ **CLOTHES CALL**  
Hy-Vee's F&F clothing boutiques aim to bring a mall experience into the grocery store and to make fashion more convenient.

## Where They're Coming From

► *Continued from page 35*

Williams became a Hy-Vee pharmacy manager three years after earning her doctor of pharmacy degree, and then in 2006 was named a pharmacy supervisor for Hy-Vee stores in Nebraska, South Dakota and western Iowa. "Over the years, I've served as a director of pharmacy education and training; assistant VP, where I oversaw the new central-fill pharmacy operation; and VP of health and wellness."

In addition to overseeing more than 250 retail pharmacies, including an expansive immunization program, and pilot initiatives in value and performance, Williams has responsibility over seven specialty pharmacies, more than 200 dietitians, 60 clinics, nine Healthy You mobile units, and wellness initiatives for more than 85,000 Hy-Vee employees.



**"This company knows its employees are their greatest asset, and it gives each of them the autonomy and freedom to make the best decisions and implement processes to better meet the needs of our customers."**

—Kristin Williams,  
EVP, chief health officer

**"A decade ago, you marketed to the masses. Today, everyone wants it personalized. They want it on their phone and they want it in the mailbox. You have to market to them both ways for it to work, so you just have to figure out which one works for them."**

—Jay Marshall,  
EVP and COO



"What I respect most about Hy-Vee is its strong history of showing employees how their thoughts and ideas matter," she says. "This company knows its employees are their greatest asset, and it gives each of them the autonomy and freedom to make the best decisions and implement processes to better meet the needs of our customers."

Interestingly, Randy Edeker didn't plan on becoming Hy-Vee's CEO when he began his grocery career; instead, he aimed to become a store director.

"I took a store that hadn't made money in its history, and we made money the first quarter I was there, and so that kind of launched my career," Edeker recounts. "That's what I set out to do. The rest of this has just kind of happened. I'm not one of those guys who walked in

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in perishables is about ready-to-eat now. It's about prepared meals and ready to take home. It's about chef-inspired meals," Edeker says. "People have really high expectations of food today. So all those things are driving the evolution of the store that you see, and really causing us to get off into areas like Basin, like F&F, that really drive trips and drive a different feel in the store than we've had in the past."

Edeker goes on to describe another store, now being built in the Minneapolis suburbs, "that has three on-floor dining spaces with TVs, a nice atmosphere. It is really an international food court. It's all chef-inspired; it's all made fresh in front of your eyes; it's all natural, fresh ingredients; and it's personalized, customized. It creates this community atmosphere that a family can come in and they can each pick

something different that they want for that night. That's really what we're trying to create with a lot of our food endeavors out on the floor."

Hy-Vee also offers Simple Fix, which started as a dietitian program to help people prepare healthier meals for specific wellness needs, but has evolved into a chef-driven program that allows folks, from individuals to families, to come in and prepare meals for the week, and make a whole evening of it.

"All these things are about solving what's for dinner tonight. It's about having the opportunity for that diverse customer base who wants to do it a different way," Edeker explains. "This is for folks that want to cook themselves, and cooking tonight might be warming it up. Tomorrow night, it might be actually assembling it, depending on the time I have tonight."

Again, customization is key. "A decade ago, you marketed to the masses. Today, everyone wants it personalized," notes Jay Marshall, EVP and COO. "Kind of like a food court area, everyone wants food personalized and specialized and made just for them, and we have to learn that people want marketing that way. They want it on their phone and they want it in the mailbox. You have to market to them both ways for it to work, so you just have to figure out which one works for them."

### **Twin Cities, Multiple Formats**

With stores in diverse areas, from urban centers to rural towns, Hy-Vee has been making a major push into the Twin Cities, where the retailer now has eight stores, with plans for more.

Edeker is pleased with their success to date. "It takes time to grow, but we've been thrilled with the results so far. They've all opened big; we've held our share well, and we're just building the way we always build, steady and consistent. We're not trying to

## Talent Center

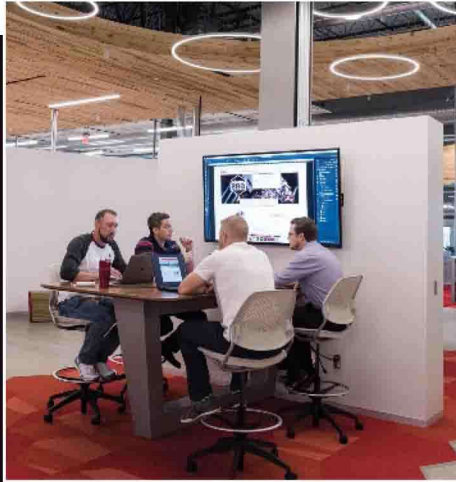
Collaboration and creativity were the goals when Hy-Vee leadership set out to build the company's new Helpful Smiles Technology Innovation Center, in Grimes, Iowa.

Opened in May 2017, the 100,000-square-foot open-office environment brings the IT and marketing departments together to capitalize on the alignment of customer data and idea sharing.

From standup and traditional office desks to small-group seating areas and technology-rich conference rooms, there's a workspace to fit every work style and meeting need.

Inspired by visits to Silicon Valley social media giants Pinterest and Twitter, the center aims to recruit and retain the best employees that Hy-Vee can find throughout the country.

Amenities include a fitness center, a basketball court, a running/walking track, a Starbucks coffee shop, and snack areas on each end of the building. ■



take over Minneapolis-St. Paul, we're trying to just have awesome stores, one at a time. We've got eight stores; there's other [retailers] that have 60-70 stores up here."

What are Hy-Vee's long-range plans here? "In this market, you could easily have 20 to 25 stores," he observes. "But we're not going to build 10 next year; we just don't do that. So we're going to stay slow and steady. I think also there's a real call to look at the diversification of store size. We've really looked at

that, and we've got some projects in the works, looking at some smaller-format stores."

Hy-Vee has been a leader in experimenting with store formats. Beyond its standard 95,000-square-foot supermarket, the retailer has convenience-size markets and a smaller urban-format store in downtown Des Moines, part of a multi-use development called Fourth+Court, and

## Where They're Coming From

► Continued from page 37

the room and said, 'Hey, someday I'm going to be the CEO.'

"I love what I do, and I work hard at it, and my people work hard," he continues. "Other than that, I don't know that I'm that different than most. I spend a lot of time reading and studying and researching. I feel like if there's anything that you have to be today, you have to be a constant student of the game. Always."

Donna Tweeten, the retailer's EVP, chief marketing officer and chief customer officer, says she admires the philanthropic spirit that drives Hy-Vee, as well as "how progressive and innovative the organization is. When you think about grocery retail, even as much as things are changing and evolving, it's ... an industry that's very traditional in its ways. You don't really think of grocery retail as being innovative — really not till, quite frankly, the last few years. But I think Hy-Vee, it's really out there."

Tweeten's background differs a bit from most of her front-office colleagues: She brings a background in advertising and marketing rather than grocery, having started her career working for an ad agency.

"One of the agencies I worked for became a subsidiary of Hy-Vee," Tweeten notes. "Hy-Vee was my personal account

and my largest client. Eventually, after Hy-Vee purchased the agency, I ended up becoming president of the firm. Then they asked me to join the corporate office."

That's not necessarily what Tweeten envisioned herself doing. "I always said there were two things I would never do: One was drive a minivan, and the other one was work in corporate America," she quips, adding, "So here I am at Hy-Vee, and I love it."

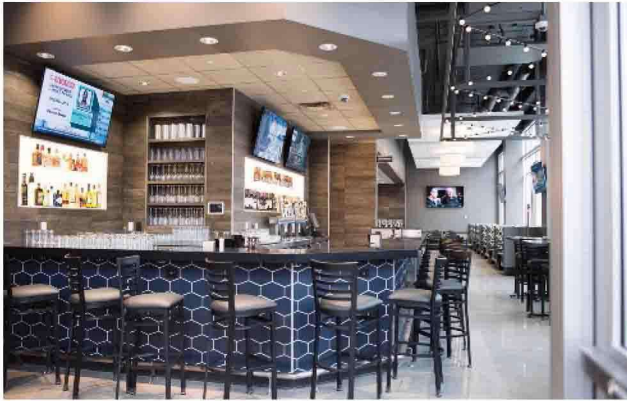
But she still doesn't have a minivan. ■



**"We're going to help you with lifestyle questions and provide solutions. We're going to give you ideas for how to feed your family on a budget. We're going to give you ideas on how to make your Thanksgiving table more special, how to wrap your Christmas presents in a much more unique way, how to decorate your house — everything."**

—Donna Tweeten,  
EVP, chief marketing  
officer, chief customer officer





Images courtesy of Hy-Vee

**FOURTH+COURT**  
Hy-Vee's new store in downtown Des Moines is a restaurant-centric urban format.

is working on other formats, including a wellness concept store that would include a fitness center, and a click-and-collect pickup store that would include groceries and prepared foods. All of these ideas address personalization of need.

"I was just in our downtown Des Moines store, and people were surprised — "This seems like way more restaurant than it does store," Edeker recounts. "That's what the people that live there gravitate towards. The groceries still get shopped, but

people are shopping for meals. We're really trying to make sure we're not just building a one-size-fits-all, that we're focused on where the right format fits."

And that's a challenge, considering the diversity of Hy-Vee's marketing area. "We've servicing towns from small-town Iowa to big stores up here in Minneapolis," notes Gosch. "That gives us some opportunities to really approach the customer completely differently across the breadth of our company."

Marshall takes up the theme next: "When you

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## Making the right impression with today's consumers

Appearance matters, so much so that a third of consumer purchases are made solely based on packaging. As product offerings continue to evolve and broaden, retailers today are faced with the constant need to adapt.

To truly stand out in a crowded marketplace, modern brands face increasing pressure to present their products in an eye-catching and compelling way that quickly captures the attention of consumers. More than half (52 percent) of U.S. food shoppers are drawn to packaging with unusual or eye-catching designs, says a study by Mintel.

This tall order means brands are faced with creating compelling, appealing brand visuals at an incredible rate of speed. Luckily, modern technology has evolved to help meet these needs.

Drawing on a history of over 75 years of innovation and extensive experience in the food packaging industry, Sealed Air offers a suite of printing services to help brands navigate the ever-changing consumer landscape and remain competitive.



Sealed Air's printing offerings include High Impact printing on rollstock, high-quality digital printing capabilities and even 3-D rendering options.

These services evolved to help allow brands to quickly update graphics, print short test runs or customized visuals, and create eye-catching standout graphics without breaking the bank. Take customization for example: brands are now able to print limited run graphics for special events or customize packages with consumers' names or locations, allowing them to better engage with customers and build brand loyalty.

Whether it's print or graphic support, Sealed Air's fully integrated team is equipped to continually help brands meet the challenges of the modern marketplace.

**Mike Rosinski, Marketing Director of the Cryovac Division at Sealed Air**



set that big 95,000-square-foot building down, you can only put so many of them in a town. We've realized there's pockets that you can't serve. The customer of today can't go to that big store every time

## Behind the Scenes

To support its retail operations, Hy-Vee has established a distribution system that secures merchandise and transports it quickly and efficiently to customers. In addition, Hy-Vee has acquired or developed several subsidiaries to deliver on other parts of its mission:

### **Amber Pharmacy**

Specialty pharmacy  
Omaha, Neb.  
[www.amberpharmacy.com](http://www.amberpharmacy.com)

### **Beverage Distributors of Iowa**

Full-service liquor delivery  
Des Moines  
[Bdi-wholesale.com](http://Bdi-wholesale.com)

### **D&D Foods Inc.**

Fresh salads, dips and meat specialties  
Omaha

### **Florist Distributing Inc.**

Flowers, plants and florist supplies  
Des Moines  
[www.fdionline.net](http://www.fdionline.net)

### **Hy-Vee Construction**

Des Moines  
[www.hy-veeconstruction.com](http://www.hy-veeconstruction.com)

### **Lomar Distributing Inc.**

Specialty foods  
Des Moines

### **Midwest Heritage Bank**

Banking, investments and insurance  
West Des Moines  
[www.mhbank.com](http://www.mhbank.com)

### **Perishable Distributors of Iowa Ltd.**

Meat, fish and seafood  
Ankeny, Iowa  
[www.contactpdi.com](http://www.contactpdi.com) ■

they need groceries, and they're telling us they're willing to pick it up. So we put a smaller-footprint store here, and we put a meal store there, or we put a health-focused store there because we might not have a pharmacy close to that area. Those are the things that are creating niche marketing in those areas where they still come to the big store maybe on weekends or twice a month, but they stop at that small store seven times a month for a quick pickup and do click-and-collect. So each one of those has a different way to look at it and a different marketing tool to reach those customers."

Referring to Hy-Vee's Savage store, Marshall explains that "[w]e brought a group of Millennials up here to tour this store to tell us what they think. And they said, 'Absolutely love it, [but] I don't know that I'd come here more than once a month.' They said the transaction time is too long here. They want to come and experience Basin, they want to do all of those things, But they want the experience to be quicker. They don't want to give up all that time."

### **Ecommerce**

Online shopping is helping to expedite shopping for consumers who don't have time for the experiential every time they need to stock their cupboards.

"Ecommerce is solving a convenient need for the customer. A lot of our customers are doing both," Gosch says of Hy-Vee's Aisles Online service. "They'll continue to complement each other well. We have very few shoppers that are just solely relying on ecommerce right now; they're really shopping at our stores *and* online. There's things people want to shop for and enjoy doing the shopping, and there are some things they just want to have come to their house. We'll make it easy to get the things that aren't necessarily fun

# Hy-Vee

PROGRESSIVE GROCER'S  
2017 Retailer of the Year

►  
**ONE STEP**  
Among Hy-Vee's  
philanthropic  
efforts is digging  
wells in areas  
without clean  
drinking water.

to shop for, and when you want to come to the store for a treasure hunt or a fresh experience, we have that for them as well.”

Edeker adds, “The growth cycle was a lot faster than we thought at first. It’s kind of plateaued a little bit, so ... I think it’s going to take a fulfillment center to really drive that business forward. It’s too cumbersome and costly to do it in a traditional grocery store. I think if that’s the end game for retailers, they’re going to struggle with it. It has to be much more efficient, and that’s why Amazon is the machine that they are. They have the efficiencies of their program that are there.”

How can traditional retailers best compete against digital upstarts?

“You have to be willing to change and adapt yourself, because the same leadership skills five years ago aren’t the same as they are even today,” Edeker counsels. “It is about the show and theater. People want to see the fire of the oven and the flame — it’s what makes it special and different. And just think about when you walk through that first aisle, the diversity you see around that food court — that’s awesome. Those are the things that get me excited.”



Image courtesy of Hy-Vee

# Hy-Vee

PROGRESSIVEGROCER'S  
2017 Retailer of the Year

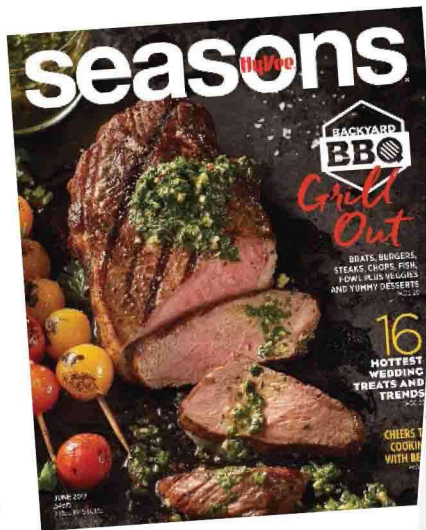
## Engaging Consumers and Communities

Hy-Vee takes corporate responsibility seriously and has led initiatives ranging from responsible procurement to sustainability to charitable giving.

In particular, the company has been at the forefront among grocers in promoting physical fitness and healthier living — beyond employing retail dietitians in each of its stores to promoting good health and exercise on a grand scale.

Among these programs is the youth-focused KidsFit, for which Iowa native and NBA player Harrison Barnes is spokesman. Edeker says that KidsFit “isn’t for the great athlete that stands in the front row, it’s for the little kid ... that stands in the back and never gets picked. I want them

➤  
**FOR ALL SEASONS**  
Hy-Vee engages consumers through publications, social media, mobile apps, websites and blogs.



to have access to this positive influence that says, ‘Look, you can change how you eat, you can change how you exercise, you can change how you get fit,’ and that will help them forever. I’ve always believed, with a lot of our programs, if you inspire little kids today, they’ll love you tomorrow. You

make them better, and I'm proud of that."

Hy-Vee also started the One Step program, which donates a portion of the proceeds from certain products to planting trees and community gardens, or providing meals and clean drinking water. "We've dug 33 wells overseas where people need them," Edeker notes. "Our marketing folks wanted to market that instantly, but we went over a year not putting a sign up, because I said you can't go into the world of sustainability and social responsibility with an empty bag. You have to have done something today. So we've planted 114,000 trees. We're giving meals away. We've built 700 gardens in cities to help kids get access to fresh produce. We've actually done those things."

In the realm of sustainability, Hy-Vee has led in many areas, but particularly with its sustainable-seafood program, Responsible Choice, in which select seafood products bear a blue-and-green logo indicating they were sourced responsibly with minimal damage to the environment and other sea life.

"We needed to make a lot of changes and really commit to it. Some of it was difficult, because you're walking away from sales," Tweeten says. "I'm proud of the company's ongoing efforts. We've been acknowledged by Greenpeace for it. I look at how many electric-car-charging stations are at our stores, all the different things that we've been doing to create healthier oceans and a healthier planet. You'll only continue to see us have more and more programs that fall into that category."

These programs have been growing in importance for consumers, who want their grocer to be about more than just selling things. Keeping tabs on the pulse of those consumers requires a multifaceted approach that includes publications, social media, mobile apps, a company website and blogs.

"We do try to integrate all of them. They're not just sales tools — they're brand relationship tools," Tweeten says. *Seasons*, Hy-Vee's food magazine, began with that purpose. "It was really developed to let us understand the customer better, and vice versa," she notes. "*Seasons* was one of those magazines that certainly showed that Hy-Vee gets you. We're going to help you with lifestyle questions and provide solutions. We're going to give you ideas for how to feed your family on a budget. We're going to give you ideas on how to make your Thanksgiving table more special, how to wrap your Christmas presents in a much more unique way, how to decorate your house — everything."

While *Seasons* enters its 11<sup>th</sup> year with its next Christmas issue, Hy-Vee earlier this year launched a health-and-wellness magazine, *Balance*. "I believe we are the only grocery retailer, maybe the only retailer, to have its own customized health-and-wellness magazine," Tweeten says. "*Balance* is really quite special. We've got Oprah on the November issue [cover] — this was huge. It's been a great magazine to build relationships with our customers."

## Charitable Giving

Hy-Vee's autonomous structure fosters a spirit of entrepreneurship that allows stores to custom-tailor their contributions to meet the needs of their local communities. The following are among the programs that Hy-Vee sponsors or supports:

### Variety, The Children's Charity

Hy-Vee's participation with Variety, an international organization dedicated to improving the lives of children, began in 1983 during its participation in Cash for Kids, a coupon redemption program to raise funds for children. The grocer has raised more than \$14 million for the organization since then.

### Juvenile Diabetes Research Foundation (JDRF)

Hy-Vee's involvement with juvenile diabetes dates back to 1921, when company co-founder Charles Hyde's oldest son, Paul, died from the disease at age 8. Since 1998, the year former Hy-Vee CEO Ron Pearson was corporate chairman for the Central Iowa JDRF Walk for the Cure, the company has raised more than \$17 million through a range of corporate and store events, including walks throughout the Midwest and Team Hy-Vee participation in Rides for the Cure throughout the United States.

### Hy-Vee Homefront

This is an ongoing initiative to increase awareness of, and support for, organizations that serve our nation's military members, veterans and their families. ■



### Keeping Up with it All

Shoppers expect grocers to be food authorities, able to answer questions about the farm-to-fork journey in a store's curated environment.

"There's a lot more sophistication in our customer base, because they're so exposed to different flavors and different tastes," Edeker says. "Culturally, it causes a shift. It calls for us to be the expert, to be able to answer these questions: How do I cook this? Where does this come from? What's in this? Those are all challenges that we have to meet."

This has influenced how Hy-Vee and other retailers hire new associates.

"Today, you're going to go to a culinary school to recruit produce clerks, meat clerks, deli clerks, because the knowledge base is needed in those areas," Edeker notes. "That's one of the things we've done in the Twin Cities, reach out to the culinary schools to recruit for the bakery and all different aspects of foodservice. You need someone with that skill set to be able to answer the questions today. Grocery is still crucial to us, but it's not the same as it was even five years ago. That mix is changing within the

## Hy-Vee Aisles Online

Hy-Vee has been a leader in online grocery shopping, rolling out the Aisles Online click-and-collect and home-delivery service across its network of stores.

Visitors to [www.hy-vee.com](http://www.hy-vee.com) can fill their virtual shopping carts with items from each department and the online weekly circular, earn and use Fuel Saver + Perks loyalty benefits, create customized shopping and favorites lists, and schedule times for pickup or delivery.

To support the service, Hy-Vee operates a fulfillment center near its home base, in Des Moines, Iowa, and will soon open additional centers in Minneapolis and Kansas City. Additionally, the retailer is experimenting with additional pickup sites, including a small-format concept store in the works that will include a market, gas station and possibly a quick-serve restaurant. ■



aisles; the product assortment is changing. There's a lot of change, even in center store."

The rapid pace of change is also compelling retailers to strengthen their relationships with trading partners to better deliver on consumer need states.

"I read a book by Steve Case, the founder of AOL, talking about the 'Third Wave' and how we're entering the third wave of the internet and technology," Edeker says. "One of the things I learned from that book is how you leverage partnerships and alliances with folks that have a common interest. That's one of the things you've seen us do, and that plays out in the store — in Basin, in our cosmetics department, in F&F clothing, in a hundred different spots in the store, in baby care, we're working on some things in pet, all through the store. I think it's important to leverage partnerships with folks that also understand the customers, and then bring that power together to really service the customers in a better way than we ever have before."

With Amazon fully investing in the grocery business, the way people shop and eat constantly changing, and different channels competing for the same piece of the grocery dollar all affecting an economy coming out of an extended deflationary period, what does Edeker foresee as being the most

## Fitness Booster

Hy-Vee has led efforts to promote healthy eating and physical fitness in its home state and throughout its marketing area. Programs include:



Image courtesy of Hy-Vee

### Hy-Vee KidsFit

This is a fun at-home program designed for kids and families to help promote health, exercise and nutrition as a priority in daily life. The program is designed to be done without workout equipment to make it accessible for everyone. The KidsFit 5-Week Challenge aims to provide a structure for kids to take control of their personal health and fitness. Children can earn trophies and badges for participating in and completing daily activities.

[www.hy-veekidsfit.com/challenge-information/](http://www.hy-veekidsfit.com/challenge-information/)

### Hy-Vee Healthy You Mobile

Since 2013, Hy-Vee has brought health-and-wellness services to local communities across its eight-state region. Ever since Hy-Vee's first Healthy You Mobile bus was introduced three years ago, the demand for the mobile unit has continued to grow. The company now has six Hy-Vee Healthy You Mobiles that allow dietitians and pharmacists to reach customers across the Midwest by offering biometric screenings, flu vaccinations, nutritional information, cooking demonstrations, food samples and much more.



### Pinky Swear 5K and Fun Runs

Hy-Vee partners with the Pinky Swear Foundation to sponsor several kid-friendly fitness events in cities across the Midwest to raise funds for, and awareness of, the families of children who are suffering from cancer. This year, Hy-Vee supported events in Des Moines, Kansas City, Minneapolis, Omaha and Illinois' Quad Cities. [pinkyswear.org](http://pinkyswear.org) ■

significant next chapter of the company?

"If you haven't been on a dead sprint trying to stay ahead of change and make calculated decisions, you're going to be in trouble, because it's hard to catch up today," he says. "The reality is there are aspects of our business that can be completely disrupted from areas that you've never really considered before. So if you're behind the ball today, it's hard to get in front of it. I think you have to be more aggressive about trial and taking risk than you ever have before.

"We're not in the middle of the evolution of change — I think that we're at the beginning," he continues. "Steve Case told me he believes that we're in the bottom of the first inning, or the top of the second, as it comes to change, not just in food, but in all aspects of life. I think we're at the beginning of it, not the end. It feels like there's been this massive amount of change, but I think there's much more to come."

Ultimately, Edeker says, you just have to listen to your customers, because if you don't, "they'll leave you, and there's a million other solutions for food and everything. It's so diverse, ... where you can shop today, [that] you've got to listen to them.

"It's not always easy at first, and some people won't like it, but you have to follow what the customers want. If you don't, you're in danger, you're not going to make it for a long term. I think today people don't just stay out of some old sense of loyalty, ... they stay if you do the right thing consistently and you practice what you preach and you're authentic. It's not about empty promises or just great marketing. There's an old saying: 'The fastest way to kill a bad business is great marketing' — to go out and say you're everything, and then not deliver it in reality. So we focus on the reality of how to deliver it, do what's right and be consistent, and then listen to the customers and move."

Priorities for Hy-Vee in 2018? Prepared foods. Restaurants. Food courts. Customized meal solutions. Experiential center store concepts. Health and wellness. Private brands. Attracting and keeping younger shoppers.

And elevating the customer experience to new levels, or, as Tweeten says, "We have to create needs and wants before people even realize that they need or want them."

For Hy-Vee, which has long promised "A helpful smile in every aisle," that means Helpful Smile 2.0.

"I think passion is important," Edeker asserts. "We have a whole list of simple words — honesty, integrity, caring, sharing, trust, ownership — that have driven us for 87 years. That's still really important to me, that we maintain the culture of who we are and how we got here, because I think once you lose that, you're in trouble. My goal is to keep driving Hy-Vee forward to make sure that we reach 100 years." **PG**