

Supply Chain Continues The Fresh Market's Successful Expansion

Companies: KR, SWY, TFM, WFM

February 23, 2012

Research Question:

How is The Fresh Market's expansion progressing?

Summary of Findings

- [The Fresh Market Inc.'s](#) (TFM) expansion is progressing at a steady, deliberate pace. Management has established a well-honed customer profile and enlisted a national network of realty specialists to scout and secure property in ideal, upscale locations.
- TFM can easily maintain delivery of fresh produce/protein and prepared foods/meals, already demonstrated at new stores in several Northern and Midwestern markets. To that end, TFM partners with [Burris Logistics](#), a respected national distributor known for cold transport and storage. Burris currently transports perishables from California suppliers to eastern TFM locations. Burris has said it is building a new facility in the Midwest, in part to support TFM's expansion.
- Vendors, specialists and managers expect TFM to rely on additional suppliers and new local fresh growers/producers yet remain loyal to longtime merchandise partners. The larger supply chain may improve TFM's purchasing power, pricing and ultimately its margins.
- Strong and growing consumer demand for fresh food and quality prepared meals gives TFM a competitive advantage. Recent store openings demonstrate high interest in TFM's concept and service, in some cases luring new customers once singularly loyal to [Whole Foods Market Inc.](#) (WFM) and [Trader Joe's](#). Existing store sales continue to meet or exceed expectations.
- Since the IPO, no changes have been observed in TFM's philosophy, corporate culture, product quality or ability to serve fresh food. Employee and manager retention remains high.

Silo Summaries

1) SUPPLIERS/DISTRIBUTORS FOR TFM

Four sources said TFM's expansion is progressing without incident. The company continues to select sites in prime locations frequented by or home to the nation's wealthiest consumers, where fresh food is in demand and customers seem immune to high price-points. **TFM relies heavily on veteran distributor, Burris Logistics, known for its national, bi-coastal distribution network. California vendors already transport perishables to TFM's eastern locations, suggesting problem-free transport in reverse.** TFM has to date been untouched and unchanged by the pressures often caused by an IPO.

2) CITY PLANNING OFFICIALS

Five sources said TFM is moving into wealthy enclaves where residents embrace the fresh food concept. Chosen communities are poised for or experiencing an economic upturn. **TFM typically selects an easily accessible vacated big box store in an area still untapped by competitors such as Whole Foods and Trader Joe's.**

3) INDUSTRY SPECIALISTS

Three sources said TFM's expansion is progressing as planned. The high-end communities where TFM is opening new stores are enthusiastic in their support of the concept. **Burris Logistics provides TFM an advantage with distribution and allows the store to maintain its focus on freshness. Burris is also expected to help reign TFM in on the pressure to expand faster.** New suppliers are likely needed as TFM moves north and west, and Burris is expected to help in this area as well.

4) STORE MANAGERS

Six sources said business is strong in their stores. **New stores have shoppers who are beginning to convert to TFM regulars.** Site selection and careful planning have been important contributors to stores' initial success. **One store open more than two years said sales are up more than 15% from a year ago.** Management has stayed strong after the company went public, with limited employee turnover.

5) CUSTOMERS

TFM got favorable reviews from all six customers. **Four sources intend to spend more time and money at TFM in 2012.** Shopping and frequenting TFM was not tied to price, viewed as lower than Whole Foods but higher than Trader Joe's. Instead, TFM offered an overall ambience and unique shopping experience that has strong appeal over competitors in upscale markets.

	Expansion Progressing According to Plan	Supply Chain Will Continue Successful Expansion	Strong Demand Exists for TFM
Suppliers/Distributors	↑	↑	↑
City Planning Officials	↑	N/A	↑
Industry Specialists	↑	↑	↑
Store Managers	↑	↑	↑
Customers	N/A	N/A	↑

Background

The Fresh Market is a gourmet market with over 100 stores in 21 states, primarily in the Southeast, with plans to expand west. Blueshift Research's [November 2011 report](#) revealed that the company's expansion is expected to be a success because of strong management, high-quality and unique products, positive relationship with suppliers and customers, and efficient operations. Additionally, Blueshift noted that choosing the right locations for new stores will be key to The Fresh Market's expansion.

CURRENT RESEARCH

Blueshift's second report on The Fresh Market will continue to focus on the company's expansion plans, which reportedly include California. We also will determine how The Fresh Market plans to address any supply chain and logistics issues associated with the expansion, and if it can maintain its reputation for providing high-end, quality foods as it grows and moves further beyond its base in the Southeast. Blueshift employed its pattern mining approach to establish and interview sources in six independent silos:

- 1) Suppliers/distributors for TFM (4)
- 2) City planning officials (5)
- 3) Industry specialists (3)
- 4) Store managers (6)
- 5) Customers (6)
- 6) Secondary sources (4)

Blueshift interviewed 24 primary sources, including four repeat sources, and included four of the most relevant secondary sources, including rumors that Palo Alto will be the first California location for TFM with a development deal already in place and the potential to open in November 2012.

Silos

1) SUPPLIERS/DISTRIBUTORS FOR TFM

Four sources said TFM's expansion is on track and progressing without incident. The company continues to select sites in prime locations frequented by or home to the nation's wealthiest consumers, where fresh food is in demand and customers seem immune to high price-points. TFM relies heavily on veteran distributor, Burris Logistics, known for its national, bi-coastal distribution network. California vendors already transport perishables to TFM's eastern locations, suggesting problem-free transport in reverse. Burris plans to build a new distribution/storage facility in the Midwest, in part to support TFM expansion. TFM has to date been untouched and unchanged by the pressures often caused by an IPO. Its reputation for integrity, quality and fairness, with employees and vendors alike, remains intact.

➤ Director of business development, seafood supplier; repeat source

TFM's expansion is well organized and moving ahead at the intended pace. There have been no ordering, delivery or logistics problems as the company adds new stores and moves beyond its roots in the Southeast. Inventory/supply was planned in advance to accommodate new stores and higher traffic in existing stores. The source relies on freezer boats for wild-caught product and delivers product through Burris Logistics, a highly recognized national fresh/organic distributor to grocers on both coasts. Their frozen/cold storage trucks and warehouse locations insure freshness and on-time delivery. The source operates TFM's locally-caught programs, working with operators in selected states. TFM's local program does not apply to all stores or states, the source said, making a scale-up less problematic. He expects to participate in the western expansion orchestrating the seafood distribution with local wild-caught operators and in conjunction with Burris, which already services California.

- "The expansion is progressing nicely from what I can tell and from the inventory numbers and estimates for the new stores. I don't believe they are out west yet and they are pacing themselves."

The Fresh Market Inc.

- “We are thrilled that they are increasing the number of stores and the openings seem to be on track even though we would like them to speed up because it’s good for us. I think they can expand without compromising their core values because they have a sound business plan and their identity is part of that.”
- “TFM is very well organized in terms of logistics and how they stock seafood well when it’s in season. We handle all of their stores through our operations, which cross states for their locally caught program. As for wild caught seafood that are peeled and divined, we work with Burris and they have a sophisticated cold storage logistics system. They take all the frozen seafood and handle all of the logistics and cold storage with their facilities all around. We work with them and they work with TFM. They look at what TFM needs and they look at what we produce and they try to fit the need to demand. They send down a bunch of trucks, which then deliver to the stores.”
- “All of the seafood are previously frozen and a lot of people don’t realize that a frozen seafood is typically fresher and higher quality than what you would get off a seafood boat directly. ... Much of our seafood is wild and we work with freezer boats, which catch it and immediately freeze it.”
- “Our business with TFM has definitely increased but I can’t put a percentage on it. I would say they have increased their order in the past year by about 60,000 to 70,000 pounds. That is not just because of new stores but also new programs.”
- “TFM generally orders the 16 to 21 count [of seafood] per pound and they stay with the larger size. ... I have no clue as to the number of stores they have added but in terms of pounds I would say 20,000 to 25,000 pounds in the 16 to 21 count stems from the stores and increased traffic.”
- “I can’t say they are better now than in November because they have always been very good. They are great with payments. They are one of the best in terms of payables and far better than the big guys.”
- “From a vendor standpoint, there is just no company that pays on time like they do. They are communicative with their suppliers about inventory and intention. TFM loyalty to long-running vendors is above everyone else.”
- “I talk to the guys that supply their PND seafood import and I talk to guys who do their crabs and scallops and I have talked to the flower lady and the overall consensus from everyone is that we’d all be set if all of our customers were like TFM.”
- “Since they have gone public it doesn’t seem like their corporate identity has changed. They may have a little better structure overall in their operations but as far as their identity and morals and beliefs — they are the same.”
- “They can absolutely succeed outside their core market and against competitors. They blow Trader Joe’s out of the water and they are on equal footing with Whole Foods.”
- “They do have a strong locally sourced state program but they do not do it in all states. I would say about 8% of what we unload and sell to them is locally caught here and others are brought in from New Brunswick, The Cape and North Carolina.”
- “We have operators working in other states so we can source their state-by-state program. We recently took on Georgia because they had some other supplier before for that state. We can cover any state that they do because we work with a local source but handle the distribution here and through Burris, which also has operators all over.”
- “The other catch is known as wild seafood and that comes from any state depending on where there is abundance. Most of what we sell them is wild. I know for all of their local/fresh products traceability if a big issue for them. They are big supporters of local stuff because it is chemical free and traceable. Our product has no sodium bi-sulfide and no sodium Tripoli-phosphate. We don’t call our seafood organic. We call it chemical-free. We do third party lab testing to make sure and we can trace its origin. I think that is what people want because ‘fresh’ is the one segment that has grown.”
- “Their prices are similar to Whole Foods but both are higher than a

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Seafood Supplier*

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pig's whistle. Our price to customers is way up because of the BP spill. We went from a 20-year low to a 20-year high. Now BP has started releasing payback monies so they are essentially subsidizing some of the fishing operators. At one point after the money went out we had to drop our prices and we fell about \$1.75 a pound in a five day period. It gradually has increased. TFM actually [pre-ordered] at a low point to secure the price for spring. When it hits a low a lot of customers try to buy up as much as they can. But prices from suppliers can be unpredictable and the market can be unpredictable. The East had a phenomenal fishing season but in the Gulf, not at all."

- "TFM has updated their in-store seafood design after they did a test in one Savannah store. It's now more of a fresh seafood market rather than just a seafood section."
- "They are well positioned for growth. If you look at the overall industry, the only segment growing is organic, fresh and specialty stores. Seafood has grown even more rapidly. Our business was always focused on food service but now we are more focused on grocery."

► **Regional sales manager, producer and manufacturer of artisan cheese supplier; repeat source**

This source has been impressed with TFM's new store openings and their ability to lure customers. TFM seems astute at selecting prime upscale locations for its new stores and tailors the store to the space and size of the community, rather than building cookie-cutter shops. TFM will have to build a stable of new suppliers for the western expansion, but there are no distribution/logistics problems at this time. TFM has started to buy some pre-packaged bulk fresh cheese from the supplier, which the source said would improve purchase price and margins in locations with strong customer traffic. In California and the Midwest, [Safeway Inc.](#) (SWY) and [The Kroger Co.](#) (KR) have expressed an interest in carrying the company's cheese products, perhaps signaling a more competitive landscape in regions TFM has targeted for growth.

- "Our existing business is considerably up with TFM. They have brought in some new items that are doing well. I can't say if the increase is due to new stores or to increased traffic at existing stores. But that is something I am watching."
- "I have added an extra person to monitor their growth. I had the assistant attend the grand opening in the new Tennessee store and he said it was packed. I am pleased to see how busy they were at the opening. It means people are buying and spending and that's a very good sign. Whatever they are doing with the expansion is working."
- "We have a distributor in Atlanta that deals directly with TFM. Burris has a very good reputation and is very good with supply chain logistics. TFM uses them in different markets all up and down the coast. For us, we have never had any issues with freshness or delivery timing with Burris."
- "At some point TFM will need other distributors in the West. But I do think they can succeed outside of this current market area."
- "We have supplied TFM with pre-packed fresh items with a very good shelf life. They are buying the cheese in bulk and then they have their people cut the product in the store. This is definitely a way to cut costs and improve margins but you need good sell through and good turnover for that tactic to work."
- "I wasn't sure if the pre-packed idea would do well at TFM but it is doing well and in some cases very well. For scalability and margin, if there is an item you can buy in bulk and it has good sell through that can help. Because anything that is pre-packed we, for the most part do all the work. ... There is more margin in buying fresh pre-packaged bulk and that can work with an expansion. TFM just started doing this."
- "They are not doing it in every store we service. They have a wide range of stores and sizes so it's harder to do in a store that does less volume. They have some stores that are much bigger and some that are smaller."

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*Regional Sales Manager
Cheese Supplier*

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- “They seem to tailor the store to the location, rather than doing the same thing in every location. What is consistent is that they seem to be singling out very good upscale locations.”
- “Whole Foods also buys in bulk and cuts the cheese in the store.”
- “They do seem open to new ideas. There are dozens of items I’d like to bring into their store and I am working with TFM specialists at existing stores to see if they would allow us to expand our products. I also was surprised that they haven’t done a lot of demonstrations. In trying to bring in new products, I ask them if I could do some in-store demonstrations. They said yes. I also did it to see their business operations a little closer.”
- “We are opening up our sales to new stores on the West Coast [unrelated to TFM]. We were at a pantry food show recently and several additional stores out west expressed an interest in our gourmet cheese, including Kroger’s and Safeway. We are already in Trader Joes but they rely on a different format within the packaged food category. We are interested in getting in to Whole Foods.”

➤ **Sales manager, organic bottled juice supplier; repeat source**

Distance has not hindered product delivery to East Coast locations, nor the firms’ sales growth with TFM, suggesting distribution outside of TFM core market would be compatible. Source sales tied to TFM continue to increase. TFM may need to heavily market the store’s identity to educate customers, but the West Coast consumer environment is fresh-food friendly and would likely welcome a new grocery concept. Whole Foods has a strong following in the West and would present the stiffest competition. She has heard nothing about TFM’s move west, which seems to demonstrate and confirm that the farther away the supplier, the less they know about TFM.

- “It seems like they are growing. Our business with them is up. I don’t know if it’s due to new store openings or increased traffic at existing stores.”
- “I see no issues with distribution for them in the West. Right now, we transport to our Florida warehouse and the product is delivered by Burris. If they are going to expand west, then we would just use our California warehouse and they would pick up our product there for delivery. It’s a non-issue. I don’t know if it would help expand margins.”
- “I have not seen any changes since November in anything they do, except that they are increasing our sales. There has been no change in corporate culture or efficiency as far as I can tell. But we do not deal with TFM directly. We go through Burris and they really are the ones that work with them. I believe they are the preferred distributor for TFM. They used to work with others but there were some consolidations and most people go through Burris.”
- “I really am not sure how competitive they are with other natural food stores in other markets so it is hard to know how important a Whole Foods existing presence here might be. But the natural organic consumer already expects to pay more so price won’t be an issue.”
- “I do think they can maintain their corporate identity. Their whole concept of fresh is central to their identity and reputation. I also think this is a good time to expand into our market especially since the customer base is already here.”
- “Their biggest competitor in the West will be Whole Foods. They are very big here although for my taste there are not enough Whole Foods available. TFM is typically found in very upscale communities and if they market themselves correctly they can be successful.”
- “Currently we have three warehouses, in New Jersey, Florida and California and again we use Burris for transport and delivery. Our product actually comes in from Sicily. If they move west we would use our California warehouse and it sound like it would help our continuing growth.”
- “I really know nothing about the move. We have not heard anything about their expansion to California. But I welcome them and think it will be a really good thing for them and consumers. This is a good place to be because people are very health conscious and concerned with what they eat. People want fresh and organic so it’s already a big thing here and TFM would just add.”
- “I really can’t say much about their expansion because they are not in California. No one around here has even heard of TFM. The only reason I know something about them is because they are our customer. But even there, they don’t buy directly from us so it’s not as if we have a lot of communication. I have not heard and I don’t know when they plan to come out West or where they plan to open. I don’t know if they plan to open in 2014 or next

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*Sales Manager
Organic Bottled Juice Supplier*

The Fresh Market Inc.

year. We have heard nothing. But the idea of their expansion here is great. It's a welcoming environment. I think they will do well."

➤ Account manager, national logistics supplier/distributor for TFM

TFM's expansion is progressing as planned and expected. The source said his company will be assisting in the expansion. Site selection/growth in California is still in the planning phase. The firm has a large broker network for transportation with partners already in key locations along the West Coast and in the Midwest. In fact, the company already supplies TFM with a gourmet ice cream product sourced from California and distributed to TFM stores in the East, demonstrating that the transfer of perishables is a non-issue. To date, perishable storage is still handled out of East Coast warehouses but the distributor is building a new Midwest distribution/storage facility, in part to assist TFM in its scale up. TFM has expanded its supplier network to service new stores in the Northeast.

- "Their expansion makes sense since they have penetrated key markets up and down I-95. We will be helping them as they move towards California but for now, the expansions are mostly in the Northeast and South and we continue to support their operations out of Atlanta."
- "At this point, we can support transport but not storage/warehousing out West so we are going to open a large new distribution facility in the Midwest to support TFM and our customers to the North and South in the central region."
- "We expect to see some new local suppliers. For example we were buying seafood out of Florida for them and now we also buy out of Boston."
- "The Western expansion is still in the planning stages and moving forward but I don't have details. I have not heard anything about stores being put on hold or having any roadblocks so I think everything is progressing as they expected."
- "TFM is doing really well. We have been with them for five years and we had the third-best week ever for The Fresh Market during Super Bowl and the lead up. I have no idea why that happened because it never happened before. Even [TFM] has been scratching their heads in amazement."
- "We are seeing consistent and steady increases in growth with them. We have seen increased business both due to increasing traffic at existing stores and due to new stores. They just opened a store in Avon, CT ... and I understand it was one of the best and most crowded openings ever."
- "They absolutely can succeed outside the core market. They are unique. They have good food; good real estate and they have isolated upscale communities for their stores and continued growth. They cater to a different clientele than Whole Foods, very high end. Everything appears to be made just for their customers."
- "Their prices are a little higher but most comparable with Whole Foods."
- "Since they went public, I have seen no change in the efficiency of their operations and nothing to indicate their core values have changed. I have seen no change in popularity, or their corporate culture or their philosophy."

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*Account Manager
Natl. TFM Logistics Supplier/Distributor*

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2) CITY PLANNING OFFICIALS WHERE THE FRESH MARKET STORES ARE OPENING IN 2012

Five sources in four different locations said TFM is moving into wealthy enclaves where residents embrace the fresh food concept and desire quality prepared meals that complement a healthy but hectic lifestyle. Chosen communities are poised for

or experiencing an economic upturn. TFM typically selects an easily accessible vacated big box store in an area still untapped by competitors such as Whole Foods and Trader Joe's.

➤ **Planning director for the economic development commission of a town where TFM is opening in 2012**

TFM's expansion success lies in finding smaller, higher-income communities with little to no specialty grocer competition and locations undergoing renovations. Whole Foods rumors never materialized and the nearest Trader Joe's is 30 minutes away, leaving TFM the only option for higher-end shoppers. The center is easily accessible and is being converted into a strong retail center by a Manhattan-based company.

- "We didn't seek them out. All of that was done through the property owner. ... I didn't know about TFM until this, but people are really excited. It's going to do fantastic."
- "This area fits their demographic very well. The income, population density, near a town with more than 100,000 population to pull from. The exit is right off the turnpike—you couldn't have better access from all directions."
- "This is an upper-scale community. The median income is much, much higher than in other areas of the state, and TFM will be the only ones here. We don't have a Trader Joe's or Whole Foods and the next Trader Joe's is about 30 minutes away."
- "The population is aging. Though we do have a great school system so the population tends to stay somewhat young. ... Largely, people are in their prime income-earning years, and families. There are more doctors, engineers, CEOs than most places around us."
- "We offered zero incentive programs. We are business friendly [in other ways]."
- "TFM is going into a rehabilitated mall. The [Manhattan-based company] has spent the last year changing it from a standard mall to a power center. The anchor tenants are Kohl's and Marshall's. There is also a Macy's. ... They tore down 75% of the mall and TFM is going into a part that had been a piece of the traditional mall."
- "Construction started about a month ago. They have to do more rehab—new floor, etc.—than a full remodel. They had to get permission to change the outdoor display, have café space. I expect them to open mid- to late summer."
- "There was a rumor about Whole Foods at another site but nothing was ever finalized. People were super excited. But it never materialized."
- "TFM is right there, or one step above Whole Foods in price."

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*Planning Director
Economic Development Commission*

➤ **Assistant to the planning director for the economic development council of a town where TFM is opening in 2012**

TFM is going into a vacation community experiencing pre-recession real estate levels and into a commercial area that is in the middle of an upswing. There is no competition from Trader Joe's or Whole Foods within two counties, and the nearest TFM stores are successful but too far away for this area's wealthy population.

- "Everyone is delighted they're coming here."
- "There are no Trader Joe's or Whole Foods [in this] or the [neighboring] county. ... From many [of the communities] it is quite a drive to get to Whole Foods."
- "The nearest TFM stores do very well, and it is exactly what this area needs."
- "There is a lot of money here, and the people don't want to traipse into the other TFM stores. We get a lot of vacationers, international tourists and people with their second homes here."
- "The commercial area in general is in the middle of an uptick. We're experiences real estate trends at pre-recession levels."

The nearest TFM stores do very well, and it is exactly what this area needs.

*Assistant to the Planning Director
Economic Development Council*

➤ **Planning director for the economic development department for the city and county where a TFM store is opening in 2012**

TFM is going into a high-end retail center in a high-income neighborhood. The only major competitors are a Kroger that has moved toward organic and health foods, and a few successful small organic grocery stores, proving that there is demand in the community. The developer is aggressive in seeking out tenants in a city with a steadily growing market.

- “We weren’t directly involved with bringing TFM to the city. The deal was made between the developer and TFM. A big box store closed at that location and the developer is pretty aggressive. ... TFM would have gotten a pretty good deal from the developer who made it pretty attractive.”
- “It’s a higher-end shopping center. High-end national clothing stores, home furnishing and kitchen stores, and good restaurants. It’s a newer property but they’ve still done some renovation so it’s pretty current. TFM is going next to a Bed, Bath & Beyond.”
- “This is located in a very high-income neighborhood. Lots and lots of disposable income. Our local billionaire lives nearby.”
- “Our economy is not fast growing, but it is a growing market.”
- “We have a number of organic grocers here but TFM is just a different concept for fresh produce. Whole Foods and Trader Joe’s are not here. I doubt our market is ready for Whole Foods. We’re a meat-and-potatoes, white-bread and steaks kind of place. People are becoming more aware, but that’s still [who we are].”
- “Our local Kroger chain has gone big into the market place concept by expanding organic and health foods which tells me it’s selling. It must be profitable.”
- “TFM will have different customers than those who go to Kroger. There’s definitely a market here because the local [organic] stores are doing well. ... It’s different than a standard grocery store so it will catch the imagination and interest.”
- “TFM has not asked for incentives. No zoning changes are needed but they will need a few permits.”

This is located in a very high-income neighborhood. Lots and lots of disposable income.

*Planning Director
Economic Development Department*

➤ **Senior planner for the planning and development department of a town where TFM is opening a new store, likely in 2012**

TFM’s location will be in one of three hot markets in this city. This city is pushing hard to expand and aid business districts in the community, and is aggressively seeking state funds and already has backing from various foundations.

- “There is a strong effort to retain businesses and bring in new ones. The schools are nationally acclaimed, some with dual language programs and community health systems. It’s a progressive city with a new mayor who is business minded, and a new planning director expanding the staff.”
- “There is one Whole Foods in the region with another proposed.”
- “There are three really hot areas in town: Downtown is really booming and so is the location where the TFM and proposed second Whole Foods will be.”
- “When something happens nationally, we feel it six months to a year later. But our economy didn’t drop as far as in some other places. ... We’re in the black, strong economically.”

➤ **Retail development director in the same town as the previous source**

TFM and a second Whole Foods announced plans to open within a few weeks—and a few blocks—of each other, but the source said the population density can handle both. The city is experiencing some growing pains because of the influx of businesses and ensuing construction, though everyone is working together to guarantee the campaign is successful.

- “TFM would have looked at the city’s population density, the average income and in this case, the educational level. There is no opening date because they announced it not long ago but it looks like they’re going into a former [big-box] location.”
- “This city is doing phenomenally. The downtown is booming and it’s really cohesive with all the groups working together. There are neat restaurants, new [retail] shops, several apartment buildings under construction, a new hotel and movie theater.”
- “Whole Foods is going in close to TFM’s area which was announced a few months ago. There’s enough population density to cover both.”
- “It will be good to get different brands in. There is a nice, quality, locally owned—and growing—grocery store but it does not compare with Whole Foods or TFM. They will have a different demographic. But because of the

location, the Whole Foods and TFM will pull in customers from suburbs that don't have them. The stores will help diversify the selection and broaden the scope as opposed to hurting the locally owned store."

- "We are definitely experiencing some growing pains with all of the construction going on. Existing businesses—especially restaurants—have been affected by things like lack of parking. But enough people communicate, and at the different association meetings it's been refreshing to see people pull together, like offering land or unused parking lots for other businesses."

3) INDUSTRY SPECIALISTS

Three sources said TFM's expansion is progressing as planned, which is an appropriately deliberate pace. The company is set up to succeed with its new stores because there is a strong demand for quality grocers focused on fresh products. The high-end communities where TFM is opening new stores are enthusiastic in their support of the concept. Two sources said Burris Logistics provides TFM an advantage with distribution and allows the store to maintain its focus on freshness. Burris is also expected to help reign TFM in on the pressure to expand faster and get off track from its more methodical original plan. New suppliers are likely needed as TFM moves north and west, and Burris is expected to help in this area as well, giving confidence that TFM will remain consistent in its delivery of fresh and unique products. One source said TFM will continue to move slowly once a development site is chosen, which he believes is unnecessary and detrimental to the developer and TFM.

➤ Executive and strategic advisor, boutique market consultancy with Fortune 500 clients

TFM's expansion appears to be progressing as planned and without incident. Because TFM is what she called a hybrid market, it may tap underserved customers as well as competitor customers, particularly in the West where consumers are categorized as health conscious. Challenges include tempered pricing and sustaining consistently fresh food regardless of location. That means new suppliers may be required but TFM already works with an experienced, reputable distributor known for quality supply-chain logistics. Margin improvements are difficult to predict but expansions can lead to increased buying power and better pricing from suppliers.

- "TFM's expansion appears to be going well. They seem to be on track."
- "The challenge for TFM as they expand will be to find some balance because they service a customer base that visits their market less often than the typical grocery consumer. In the last study I did on Whole Foods, for example, we observed that the average loyal Whole Foods customer only visits the store a couple of times a month, versus customer visits to traditional supermarkets which occur every week. But I do think TFM is well placed for success in the specialty market sector."
- "TFM is a unique hybrid in the marketplace between the chain supermarkets and Whole Foods, which also is expanding. TFM has a much smaller footprint and a different approach. While Whole Foods targets the yoga, healthy lifestyle, healthy food consumer, TFM also serves the Whole Foods consumer but goes beyond and is more targeted to the gourmet tastes. Rather than just having a gourmet section, the gourmet and fresh food format occupies the entire store, hence the hybrid model."
- "The economy is still in the doldrums and it really has not yet reversed and that can help TFM. It means people are still not eating out as much as they did before 2007 and that helps TFM because some of their offerings take the place of a Friday night out. A lot of their food is homemade meal replacement product. They will benefit from the continuing economic weakness."
- "When they expand further into the West, they definitely will have to get some new suppliers. With the rising cost of fuel, when you open a new market somewhere in California you would have to pass on the cost. Given their already higher prices, adding to the cost is not always the right thing to do when you are opening in a new market. But they do work with global and national distributors so it should be manageable."
- "Margins in this business are razor thin and it's impossible to predict future improved margins. But I also would think that an expansion may give them the opportunity to achieve more in terms of purchasing power and pricing with suppliers."

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*Executive & Strategic Advisor
Boutique Market Consultancy*

The Fresh Market Inc.

- “There are three things they need to worry about with the logistics supply chain. First, price. Second, quality of product. Can they time and again deliver to any location good food with a fresh look and the right taste, without cutting corners? Third, can they keep up with demand, especially if one or more of their stores exceeds expectations?”
- “I think they can succeed and a lot of that assessment is based on their history. They have been around for a long time, well before they went public, and they work with others in the industry known to be equally experienced. TFM is trusted by its vendors and customers. I think the fundamentals for success are there.”
- “The demand is there, especially in the West where the consumer has a reputation for eating healthier food and better tasting food. The suppliers and distributors they work with are already operating nationally and have experience. Is there competition present? Of course. They will find there are regional chains, farmers markets and supermarkets that are also increasing their stock of gourmet products. And there is Whole Foods. I think Whole Foods stands as their primary competitor and the one market that may keep them up at night. But again, they are a hybrid and therefore they serve a slightly different clientele.”

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*Executive & Strategic Advisor
Boutique Market Consultancy*

➤ **Professor of food marketing at a university business school, veteran industry consultant and author; repeat source**

TFM's expansion appears to be moving at a reasonable clip and at a pace that has stayed within its financial means. The newly public company needs strong leadership to counter the typical investor pressure to grow faster than is sensible. TFM's partnership with Burriss Logistics lends confidence, not only because of Burriss's reputation but because they will likely reign in unmanageable growth. TFM is well positioned to succeed because the high-end market is ripe for growth and TFM has created an identity that perennially resonates with consumers.

- “TFM has done a nice job of keeping the expansion consistent with their resources. The tendency for many businesses is to identify a little success and then expand and expand and expand. Finally the cost of expansion gets in the way. So far, TFM appears to be expanding within its means. Based on observing their past behavior, they do not seem overly lured by the sirens of the West and will continue to grow at their own pace.”
- “Can they succeed? It depends on how greedy they get. They went public and that scares me. The challenge is not to get greedy and I hope they know that because there is no reason to believe they can't be greedy. That said, some opportunity for failure comes from investors who buy into a business strategy and then try to make them grow faster and beyond their capacity. There is pressure there because where do you get the money to expand if you don't go public?”
- “My advice is to take a good look at what led to their success initially and then let them keep on the same path. But I think the chances are low for that. Not right away. It could be 10 years in the future because it takes time for investors to get impatient. On the other side, investors often want to focus on the next three to six or nine months. That also puts a lot of pressure on the people who run the business.”
- “So I think they have to be careful. I don't know what percent of the management team they maintained but if it is a significant portion, they have to stick to their guns and tell investors to let them continue to be successful in the way they know how. If you don't have strong leadership you success will be short lived.”
- “TFM is more for foodies and people who want fresh food. You can still find organic but that's not how TFM has positioned itself, which is brilliant. Because for as long as people have paid attention to food it's fundamentally about taste. Fads come and go, growth in a small segment may come and go but taste is constant. So if you position your market to have the best tasting, freshest food, you'll be around for a long time.”
- “As for competition, they have positioned themselves not to be in direct competition with Whole Foods. They have fewer items and focus on deli

They have to be careful not to outrun the supply chain. Burriss is well respected and has a good reputation for dealing well with their customers. Frankly, I don't think Burriss would let them go beyond their supply chain lines because then everyone loses: TFM would lose its direction and Burriss would lose its customer. Being with Burriss is a positive sign for TFM.

*Professor of Food Marketing
University Business School*

and fresh. Everyone talks about the growth of organic. But what percent of Whole Foods is actually attributable to organic? Less than 10%. Typically within supermarkets, organic represents 3% of sales. The hype is not around the size of the market but its growth. It is a growing market but it's a small segment of the overall market."

- "Yes their food is expensive but TFM is putting their stores in places where people won't focus or worry about process. They have maintained their focus."
- "They cannot grow beyond their existing supply chain. It is The Fresh Market, not The Pretty Fresh Market. Fresh is their raison d'être. They have to be careful not to outrun the supply chain. Burris is well respected and has a good reputation for dealing well with their customers. Frankly, I don't think Burris would let them go beyond their supply chain lines because then everyone loses: TFM would lose its direction and Burris would lose its customer. Being with Burris is a positive sign for TFM."
- "Margins will be tough to work on in the next few years but they are already doing well, margin-wise. Again, they can't get too greedy."
- "Do I think they can maintain their reputation and vision? Yes. Nothing has happened that would lead me to believe their corporate culture or philosophy has changed or would get lost in the expansion. But it's a function of management and I don't know what part of the management remains. I would feel more comfortable if I knew 90% of their upper management stayed than if it's 40% stayed."
- "The problem with expansion is not so much finding hourly workers but finding quality store managers that can manage the hourly worker and operations. Most small chains promote from within, taking successful people out of existing stores and placing them in new stores and locations and there is an obvious risk in that. I was speaking at the National Grocery Association recently and skilled management was identified as a major problem for the independent grocers. It's a conundrum because most of these chains don't have the money to invest in training. The solution may be more in getting people trained to be good managers. In many cases, they find people serendipitously."
- "Market conditions favor TFM. The market is starting to become more focused on segments. The people in the middle are shopping in stores like Wal-Mart, Save-a-lot and the low end. The high end is doing well and TFM is focused on a specific high-end consumer. Stores in the middle like [A&P](#), [Acme](#) in Philadelphia are not doing well. You can't buy everything at TFM but that's what has been killing the mid-level markets. People are going to TFM to buy salads and prepared meals and other high margin items and then they go to the supermarket to buy cans of soup and other stuff where there is no margin."

➤ Retail real estate tenant representative in Florida with a global real estate service

This source offered mixed reviews on TFM's expansion progress in the Tampa Bay/St. Petersburg region. TFM is known to move slowly and deliberately in both its approach to site selection and development once a location is in place. Taking time to decide on a site or even waiting until an ideal property becomes available is considered appropriate and a strength. But he criticized TFM's sluggish pace during the development phase, calling it an unnecessary drain on both TFM and developer resources. He said TFM would be better served by assigning more people to the build-out of a store.

- "I know TFM's local agent and talk with him on a regular basis. I can speak to their plans in the Tampa Bay Area but not to their overall plans. They have local brokers and real estate representatives in organizations that focus on the target markets."
- "They have four stores in the Tampa Bay/St. Petersburg area and they are looking for a fifth. I brokered one of the deals and consulted on two. The latest opening in this market was in St. Petersburg. They chose a high profile site, tore down the building and rebuilt a new store in the

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*Professor of Food Marketing
University Business School*

They have four stores in the Tampa Bay/St. Petersburg area and they are looking for a fifth. I brokered one of the deals and consulted on two. ... They chose a high profile site, tore down the building and rebuilt a new store in the TFM prototype. The site location represents one of the best in the region. It was a turnkey development deal. TFM ended up putting in some of their own money.

*Retail Real Estate Tenant Rep.
Global Real Estate Service*

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- “In my opinion, they appear to be moving very slowly to make a decision on the real estate. I have heard from the developers that they are moving slowly even after they finalize the site. I do think there is something wrong with that because every day you are not open you’ve got nothing going in to the cash register. I can understand the deliberation and hesitation when selecting the real estate. But not once you have decided to build. I don’t know what the issue is. May they don’t have enough people to throw on it or maybe they just don’t throw enough people on it.”
- “They are not known to move quickly in selecting real estate and if the real estate they want is not available or not there, they are waiting for it rather than choosing an alternative. That is absolutely a good approach for a company like TFM, which relies on real estate location as part of its overall growth plan. But sometimes they see stuff that is good and they don’t grab it. It could be because they are looking at several markets at one time. If you looked at all of the places they are investing money to search for sites, it could be that they simultaneously find something better in Miami than in St. Petersburg and they can’t grab both.”
- “I have talked to developers and they say it is like pulling teeth to keep them moving once they have made a decision and in my opinion that’s bad because you are draining capital from the developer and the company.”
- “They may find outside their core market that there is greater competition. If they go to Arizona, for example, they may face competition from the [Sunflower Markets](#). In the mid-Atlantic, there are not many players who do what they do. Trader Joe’s is starting to come into [Tampa Bay]. Whole Foods has opened one store in Tampa and a second is under construction. Yes the area can accommodate all of these stores. I would say TFM still has room to put in another three stores in to this area without saturating the market. They all do something different.”
- “In the Southeast, TFM has a strong following. In the Northeast, real estate is very scarce. That might be a competitive advantage for TFM because it is easier to find a location for a 20,000 square foot build, than to locate as space for a 50,000 square foot store, making it harder for a Whole Foods.”
- “I have visited the stores in our area and in general they appear to be doing well. I have not recognized any falloff in quality or freshness. They are pretty uniform. They are very convenient. The prepared foods are very good, the quality is very high and we are able to get organic products that we can’t get at the regular supermarket. For our family, [TFM] is perfect because it is on the way home. We buy the same 10 things there, twice a week, every week. We also shop Whole Foods when I need to buy more of everything for a bigger shopping list.”
- “I do not believe supply and logistics pose a problem. Logic indicates that if you are a good grocer you will get product sourced as locally as possible. So you may not ship strawberries from Florida and instead get them from California for the West Coast stores. Also, the local suppliers probably already rely on a supermarket network and once TFM comes in to that market, the suppliers will seek them out to add to their distribution.”

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Global Real Estate Service*

4) STORE MANAGERS

Six sources said business is strong in their stores, including four who opened in 2012 and two who have been open more than two years. New stores said customers are enthusiastic about the concept and the locations have been very busy with eager shoppers who are beginning to convert to TFM regulars from curious customers previously loyal to competitor stores. Site selection and careful planning have been important contributors to stores’ initial success. One store open more than two years said sales are up more than 15% from a year ago, and both experienced stores said management has stayed strong after the company went public, with limited employee turnover. Produce, seafood, prepared meals and the deli and bakery sections are customer favorites.

➤ Store manager at a newly opened store in the Northeast

Since its opening a month ago, the new TFM has been busy with customers coming in to explore what the new store has to offer. Sales are meeting expectations. The manager feels they are competitive on price with other stores such as Whole Foods and Trader Joe's.

- "So far things are going very well. Sales are meeting expectations."
- "We have been busy since the opening. People are trying it out. They are trying the produce, seafood and prepared foods."
- "Everyone seems to be very positive."
- "We have a diverse group of customers."
- "I would say our prices are fairly level with Whole Foods, and Trader Joe's. Again, we're new so I can't say how customers shopping patterns will change. But people seem to be quite happy with our store."
- "We've been open just a short while, so it is hard to say how things will trend. We are definitely still in the 'honeymoon period.'"
- "I can't say how long the 'honeymoon period' will last."

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*Store Manager, The Fresh Market
Northeast*

➤ A customer service associate at a new store in the mid-Atlantic

Expansion is being done wisely with intensive research. His store has been open less than a month and the reaction is overall positive both in sales and customer reaction. He feels they will attract business from a nearby Whole Foods. The store's location is in a very densely populated area; unlike many other TFM stores who have a 30 mile radius from which to pull customers, this store's goal is a 10 mile radius.

- "They are choosing where they expand very wisely. I have full confidence that it will go well. They put a lot of research and market studies into it before they open a store."
- "Our store is moving right along in the right direction. Sales are good so far. I think we will do just fine."
- "The whole point is for us to have our own niche. We want to be different. Why would we want to be like everyone else?"
- "TFM is not for people with a list and coupons. We are not that kind of store."
- "Customer reaction to the store has been positive, for the most part."
- "The pull is definitely our perishables—produce, meat, deli and bakery."
- "Customers notice and like the layout. Our stores do not look like a traditional grocery store."
- "We share a lot of the same and similar customers as Whole Foods and Trader Joe's."
- "We have a Whole Food nearby. I am sure we have taken some business from them. It is inevitable that we will take some of their customers and Trader Joe's, too. The same thing would happen if they opened a new Whole Foods near one of our stores. In that case, they would take some of our business."
- "We are in a very densely populated and congested area. Traffic is a major issue and comes into play with our store."
- "Because of the uniqueness of our stores, most pull customers from a 30 miles radius. Because of our location and the traffic issues, we pull from a 10 mile radius and that is what we expected."
- "Although the area is very congested, it is good for drive-by traffic. There is enough population and money in this area to support the store. Some stores require that they pull from greater distances but we are ok using a smaller area to pull from."

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*Customer Service Associate
The Fresh Market, Mid-Atlantic*

➤ Assistant store manager at a Northeast store opened in 2012

Since opening it has been busy. Customers seem happy with what they are seeing. The source is positive about the company's expansion efforts and expects the store will do well, offering competition for other grocers such as Trader Joe's and Whole Foods.

- "The store opened earlier this year. We have been very busy."

- “I think that the expansion is great for the company. Obviously, this is a new store, but it helps to build the brand.”
- “I would say that we definitely present competition for Trader Joe’s and Whole Foods.”
- “Feedback from customers has been very positive.”
- “People are positive about pretty much everything. The seafood, deli, all the departments.”
- “I expect that we will do very well – that’s the plan anyhow.”

➤ Assistant store manager at a Southeast store opened in 2012

Expansion even in the Southeast where TFM already has a strong presence is expected to be successful. TFM fills a void in Florida’s lack of quality grocery stores. Building a strong customer base and keeping them coming back is key to TFM’s success. This store expects to double its customer base in one year. The store is expecting to convert one out of every two customers that visits from [Publix](#) and Whole Foods. Traffic and business are not expected to slow.

- “We opened a month ago and it has been going very well.”
- “A lot of new stores are opening in Florida soon. There really was a lack of good quality grocery stores across the state and we are changing that. There is a demand now for quality and freshness from food. That is what we offer and I know we will be successful.”
- “The response from the community has been overwhelming.”
- “It is key for us to build a strong customer base now. We expect to at least double that in one year.”
- “Most of our customers come from shopping at Publix and Whole Foods. I would say out of ten shoppers, I expect five to convert to full-time shopping here. Our location is good and we are doing well at drawing new traffic every day.”
- “I think we will stay busy. I don’t expect things to slow down.”

Most of our customers come from shopping at Publix and Whole Foods. I would say out of ten shoppers, I expect five to convert to full-time shopping here.

Assistant Store Mgr., The Fresh Market Southeast

➤ Assistant store manager at a Northeast store open at least 2 years

Sales are strong and growing, up more than 15% from last year. TFM’s expansion efforts are seen as helpful even to an established store such as this one. Increased brand awareness helps to bring in new customers. Employee culture is healthy and has not been impacted by the company going public.

- “The store is doing very well. Sales are up more than 15% from last year.”
- “TFM’s expansion efforts are helpful. It helps to spread the word. People hear about us from family or visits to a place like Ohio and come check us out. We get people from other areas that come to our store.”
- “The company does a good job of placing new stores. Researching communities and not over saturating a market. I think they are doing it wisely.”
- “The employee culture is great. I wouldn’t say that we have high turnover. People are generally happy to work here. There hasn’t been much of a change since the company went public.”
- “We are different from other stores. We are unique. I’m not really concerned about competition from a Whole Foods or Trader Joe’s. I expect customers shop at those stores as well as ours – but we have a lot of things that people can’t get at other places. I think people will often shop around.”
- “Most everything sells well. Our fresh produce, packaged goods, meat, dry food, candy.”

The store is doing very well. Sales are up more than 15% from last year. ... The employee culture is great. I wouldn’t say that we have high turnover. People are generally happy to work here. There hasn’t been much of a change since the company went public.

Assistant Store Mgr., The Fresh Market Northeast

➤ Store manager at a Northern store open more than 3 years

TFM is growing and his experience managing several different stores over the years shows that the concept and the execution of TFM has been successful and should continue with its new store openings.

- “Our company is definitely in a growth phase. We are growing all the time.”
- “I have been a manager all over – Wisconsin, Indiana, Illinois. Customer traffic stays pretty steady at the stores I have been at. We are doing fine.”

5) CUSTOMERS

TFM got favorable reviews from all six customers regardless of age, gender or state location. Four sources intend to spend more time and money at TFM in 2012. Customers attribute its appeal to convenience and high-quality merchandise, ranging from the pristine appearance of vegetables and fruit to the freshness of baked goods and seafood. Shopping and frequenting TFM was not tied to price, viewed as lower than Whole Foods but higher than Trader Joe's. Instead, TFM offered an overall ambiance and unique shopping experience that has strong appeal over competitors in upscale markets.

➤ A mid-50s woman in suburban Chicago

TFM is her favorite specialty store, though she cannot shop there as frequently as she would like because of its lack of basic food items like a true grocery store. She still chooses TFM over Trader Joe's. She believes TFM needs to be less specialized in order to expand more successfully, though she would certainly recommend it to her friends since it delivers on its promise of quality food and a quality shopping experience.

- "I shop at The Fresh Market twice a month."
- "I do about 90% of my grocery shopping at [Jewel-Osco](#) 90% and 10% at TFM."
- "I am going the same amount as I was six months ago and I will go to TFM bi-monthly in the next six months."
- "I shop there for a few reasons. Sometimes, it is out of convenience. If I am up in that area shopping, I am more likely to go there."
- "I also like the meat department. The meat is very fresh. TFM staff is also very helpful."
- "I also buy fresh fruit and vegetables at TFM. I can't say that it is that much better than Jewel's; maybe just a little bit but it is displayed more attractively."
- "If I had to choose between the two, overall, I would pick TFM because the quality is a level above Trader Joe's."
- "Trader Joe's is a more moderately priced TFM without the nice meat department."
- "I usually spend around \$100 on each trip to TFM. I have no clue how many items that gets me."
- "I would tell my friends about TFM if one opened near them. I have no problem recommending shopping there."
- "My main complaint about TFM is often times they don't have certain basic, everyday food products. If you want to pick up a few things, sometimes TFM doesn't carry what I need. I think they might be too specialized."
- "To expand successfully, maybe TFM needs to be a little less specialized. They need a few more stock items like yeast packet or just every day pantry staples. They have a lot of weird stuff."
- "Many times I have tried to go to TFM to grab something, thinking they have it but they don't. It does discourage me from doing more shopping there."
- "To shop at TFM I have to plan a menu more. I can't just assume that I can find everything I need for the recipe there."
- "TFM should also expand their frozen foods section. It is very limited. It doesn't have to be like the selection that Jewel offers but they need to bump it up a bit."

If I had to choose between the two, overall, I would pick TFM because the quality is a level above Trader Joe's. ... I would tell my friends about TFM if one opened near them. I have no problem recommending shopping there.

*Customer, The Fresh Market
Chicago Suburbs*

➤ A New York state man in his 70s

This customer has visited the new TFM once and was impressed with the quality of the products and service. He shops at a variety of stores and expects that he will work TFM into his routine now that it is open and available. He views it as a place to go for top quality products. People in the community are talking favorably about TFM.

- "I was positively impressed. I liked the layout and design. They had a limited assortment, but it all seemed to be top rate."
- "I'm glad that the store has opened. It is nice to have a new option. I would recommend the store to friends and think they will do well. It seems like there is a big market for high quality grocery stores."
- "The women at our church love TFM."
- "I will go there when I am looking for a top quality product."

The Fresh Market Inc.

- “I shop at Trader Joe’s regularly, Whole Foods a little, [ShopRite](#) primarily, and a local farmer’s market stand. I can see myself incorporating Fresh Market into my routine.”
- “I think that it is more reasonable than Whole Foods.”
- “I was there in the evening. The staff was very helpful. The store was quite busy.”
- “I bought chicken breast. The butcher was very helpful and the product was tremendous. I also bought some coffee which was very good.”

➤ Woman in her early 30s in New York

This customer has visited the store twice. She found the store to be appealing, with attractive displays and foods that might not be found elsewhere. People are enthusiastic about the store and she believes it will do well, though she personally prefers the healthier side of Whole Foods and Trader Joe’s.

- “People are excited about the new store. I’m sure part of it is that it is a new place, but I’m sure that they will do well.”
- “The prices seemed good. Better than Whole Foods, fairly even with Trader Joe’s. But I prefer Whole Foods and TJs because of their focus on organic foods. I also shop at ShopRite a lot. It’s not as fancy and the produce isn’t fantastic, but it is good for basics and has better prices.”
- “I thought it was well organized and that everything was beautifully displayed. They had free samples throughout the store. I understand that they will do demonstrations and things like that. It was a pleasant experience.”
- “I have gone in twice – once on my own and once with my mom who was interested in checking it out. It isn’t all that convenient for me, but I might stop by when I’m in the area to see family.”
- “I like the variety and the deli section. It seemed to have things I couldn’t get at other stores.”
- “The produce was good – not as much as a focus on organic as I like – but it was par for the course for a grocery store.”
- “They seem to have a good bakery and deli.”

I like the variety and the deli section. It seemed to have things I couldn’t get at other stores.

*Customer, The Fresh Market
New York*

➤ A mid-40s woman in suburban Chicago

TFM stands out for its overall shopping experience, quality produce, deli, and bakery. It also measures up favorably in price with Whole Foods and Jewel. And the quality of TFM is enough to overcome the higher price compared to Trader Joe’s.

- “I like shopping at TFM better than the other stores because it is smaller. I know where everything is. It is laid out logically. I can get in and out. I don’t like big grocery stores.”
- “You walk into TFM and they have nice music playing, coffee available and a fruit sample out. It might not be a big deal but it is saying ‘Welcome to our store and we think our products are so good that here is a sample.’”
- “More often than not at TFM, I buy whatever I sample, especially when it comes to fruit. It might not be on my list or I didn’t plan to buy it, but it is so good, I can’t resist.”
- “I shop at TFM once a week or once every two weeks.”
- “I am shopping a little more at TFM in the last year. I had a contract job that had me driving by on my way home from work. I started stopping more often because of the convenience of it.”
- “In the next six to 12 months, I will probably go as often as I have been.”
- “TFM has the best organic produce. That is one reason I really like TFM.”
- “They also have a real nice fresh deli. I don’t have to worry about old or expired food at TFM. And, they have a decent bakery, too.”
- “The one thing I don’t like about TFM is you have to download TFM coupons. They don’t have fliers like the other stores. I hate to download coupons! I would rather cut out of the paper. I forget to download them before I go.”
- “I shop at Village Market the most at 40%, TFM 25%, Trader Joe’s 15%, and Jewel 20%.”
- “I have been in but don’t really shop at Whole Foods. When they first opened they were reasonable but they have gotten out of control on prices. And, I think TFM has better organic.”

More often than not at TFM, I buy whatever I sample, especially when it comes to fruit. It might not be on my list or I didn’t plan to buy it, but it is so good, I can’t resist.

*Customer, The Fresh Market
Chicago Suburbs*

The Fresh Market Inc.

- “A bag of organic lettuce at Jewel—5 to 7 oz is \$4.49. I can get it on-sale at TFM for \$2.50 each. Even when it is not on sale, TFM is cheaper than Jewel by \$1 to \$1.50.”
- “The produce and fruit are better at TFM over Trader Joe’s. It does not spoil as quickly, has expiration dates further out than Trader Joe’s stuff and overall it tastes better. And, TFM fruit and produce is not that much higher than Trader Joe’s.”
- “Trader Joe’s is more reasonably priced than TFM on some stuff. But, TFM prices are more reasonable than Whole Foods.”
- “Jewel is a big rip off. Unless their stuff is on sale, their prices are outrageous. It is such a big grocery chain that their prices should be lower, not higher. Their produce prices are out of control. But it’s right down the street.”

➤ Mid-30s woman in Florida

She is considering switching her allegiance from Whole Foods to TFM because of convenience. She will test TFM soon to learn if she can make it her regular grocery store stop instead of Whole Foods because of its improved proximity to her house. She has recommended it to friends and family who all seem excited to have another option. TFM is expanding well but faces difficult competition from Whole Foods and Trader Joe’s.

- “Since the store opened, I have been twice. I really like it. Its less crowded than Whole Foods and they have a lot of the same things.”
- “I normally shop at Whole Foods, but TFM is closer to me now. I think I will be shopping there a lot more than Whole Foods now.”
- “I think Whole Foods has more variety of products to choose from. TFM said they would order whatever I wanted them to carry, though, so that is great.”
- “The prices at Whole Foods are the same or pretty close to what I saw at TFM.”
- “I will and have told my neighbors about it and a few girls in my yoga class were excited that it opened.”
- “I normally do all my grocery shopping at Whole Foods. The last two trips to TFM were more for filling in stuff for a meal, but I plan on making my next trip to do a full grocery shop and see how it compares to Whole Foods.”
- “I think they are expanding successfully. People want more choices for healthy food no matter where they are. They do have competition and need to worry a little about Trader Joe’s coming and Whole Foods customers too.”
- “I don’t mind paying more for good healthy food.”

I normally shop at Whole Foods, but TFM is closer to me now. I think I will be shopping there a lot more than Whole Foods now.

*Customer, The Fresh Market
Florida*

➤ Mid-60s woman in Florida

The store is popular in the area and among her friends. Her shopping at TFM has increased this year over last and may continue to climb as she becomes reliant on their quality products. She is considering starting to purchase more groceries at TFM because she shops there already for select specialty items. She is not concerned with prices.

- “I like to shop at The Fresh Market because they have unique things. I go about twice a month.”
- “I have started to go more this year. I get sick of Publix and Costco. It is nice to have different options. They have such different things there. I shop more for specialty things.”
- “I may start shopping there more now. I have gotten hooked on a few things they have, good teas, breads and snacks and I can’t get them anywhere else. So I come here to get them and should start buying more from them since I am here.”
- “I spend between \$30 and \$60 each time. The prices are what I expect to pay for what they sell.”
- “It is a popular store in this area. I think they are successful if they are continuing to expand. I know a lot of my friends shop here and at Whole foods. Publix is starting to carry more alternative products, like the Publix Green Markets sell. I don’t know if that will affect TFM.”

I have started to go more this year. ... I have gotten hooked on a few things they have, good teas, breads and snacks and I can’t get them anywhere else. ... The prices are what I expect to pay for what they sell.

*Customer, The Fresh Market
Florida*

Secondary Sources

Four sources discuss the expansion of TFM stores, including rumors that Palo Alto will be the first California location for TFM with a development deal already in place and the potential to open in November 2012. There is also data on 2011 and 2012 store opening for TFM and its closest competitors, rising competition for TFM from a traditional grocery store delving into the fresh concept, and positive reviews from customers at the new Rockville, MD TFM store opened one month ago.

► Feb. 3 Palo Alto Online article

Palo Alto is rumored to be the first California location for TFM, with a possible opening in November 2012. A developer has signed a long-term lease with a grocer and an anonymous source said it is indeed TFM.

http://www.paloaltoonline.com/news/show_story.php?id=24203

- “The Fresh Market ... will open its first West Coast store at Edgewood Plaza Shopping Center in Palo Alto, a source close to the deal said Friday, Feb. 3.”
- “Developer John Tze of Sand Hill Property Company notified the city's Architectural Review Board on Feb. 1 by letter that the company had signed a long-term lease with a grocer ‘who is highly desired by our neighbors.’ The property is located at 2080 Channing Ave.”
- “‘Edgewood will be their first Bay Area location before expanding throughout California,’ Tze wrote. He did not name the grocer, but during previous interviews he said it came down to two markets: Fresh and Easy and The Fresh Market. He did not return a phone call on Friday asking which market had signed the lease.”
- “Fresh and Easy has already been expanding in the Bay Area, and has a store in Mountain View. But The Fresh Market has no stores in California.”
- “The market has 124 stores either open or being built in 21 states. The furthest west it has publicly announced so far is a planned store in Tulsa, Okla. Company officials were eyeing Edgewood Plaza as a possible launch for its first West Coast store and visited the site in April 2011.”
- “Fresh Market was started by husband and wife Ray and Beverly Berry in Greensboro, N.C. in 1982. The couple wanted to build a quality grocery store with the ambiance of an open European market.”
- “Jordan Worrall, public relations representative for Fresh Market, said she could not comment on the store coming to California, since the company has not made an announcement at this time.”
- “Damon Scholl, Cornish & Carey Commercial broker for Edgewood Plaza, also said he could not comment on which store had signed the lease. And some residents who are in communication with the developer said they are sworn to secrecy.”
- “But a source who asked to remain anonymous confirmed that Fresh Market is the lessee. The market will take over the old 20,100 square-foot Lucky Stores/Albertson's building, which is being renovated.”
- “Tze wrote the Architectural Review Board that the grocer anticipates opening by Thanksgiving. Scholl said the developer ‘is talking to a handful of great tenants’ to bring to Edgewood, and is exploring all uses from coffee and pet stores to financial services.”

The Fresh Market ... will open its first West Coast store at Edgewood Plaza Shopping Center in Palo Alto, a source close to the deal said Friday, Feb. 3. ... The grocer anticipates opening by Thanksgiving.

Palo Alto Online Article

► Nov. 29, 2011 ChainLinks National Retail Advisors 2012 Forecast Report

Page 25 of the report shows 2011 and 2012 expansion data for grocery chains, including TFM with 20 new stores and competitors Whole Foods, Trader Joe's and Sunflower Farmers Markets.

<http://www.terranoemics.com/nationalreport/Chainlinks%202012%20National%20Retail%20Forecast-TRS.pdf>

- “The Fresh Market, with its footprint of roughly 21,000 square feet, is growing. They will close with as many as 14 new units this year. It has plans for as many as 20 new stores in the next year or so.”
- “Sunflower Farmers Markets continues to grow aggressively in new markets. We expect as many as 20 new units in 2012.”

- “Trader Joe’s had opened 15 stores by mid-year 2011, but is ramping up further growth. They are also looking at expanding beyond their typical 10,000 to 14,000 square foot floorplate in many markets. The chain is growing strong in the Central United States, having recently added multiple units in Texas and Kansas.”
- “Whole Foods has leases for at least 61 future stores in place through 2014. We expect at least 20 new units in 2012.”

► Feb. 21 Florida Today article

Florida-based Publix Super Markets is opening a hybrid store featuring more organic and natural products and a wider selection of prepared meals in order to compete with specialty grocers TFM and Whole Foods, showing how popular the concept has become and how much of an impact and threat these stores are having on more traditional grocery stores.

<http://www.floridatoday.com/article/20120221/BUSINESS/302210014/Publix-tops-customer-satisfaction-list>

- “Publix plans to open just its second hybrid store in Florida, at the corner of Stadium Parkway and Viera Boulevard.”
- “The 56,000-square-foot store is designed to compete for customers now shopping at places like Whole Foods or The Fresh Market. It’s known as a hybrid because it blends the chain’s GreenWise Market concept with its traditional grocery operation.”

► Yelp reviews of new Rockville, MD store as of Feb. 21

So far, 11 people have reviewed TFM in Rockville, MD after it opened Jan. 25, 2012. Four gave it the maximum 5-star rating, two gave it 4 stars, three gave it 3 stars, and two gave it 2 stars. On the whole, reviews were very positive about TFM’s food quality, atmosphere, friendly staff, and prepared food sections. Price was deemed on par with Whole Foods. Shoppers got value for their purchases and said they will return to shop more frequently at TFM, some even saying it would come at Whole Foods’ expense.

<http://www.yelp.com/biz/the-fresh-market-rockville>

- “***** 1.25.12: The Grand Opening was today and boy, were they mobbed at 9:30. And the shoppers kept rolling in! ... It is a fabulous store! It’s beautiful inside. It’s not cheap; it’s gourmet on a budget though. It is probably comparable to a Whole Foods. ... Everyone was pleasant, knowledgeable and helpful. ... Fresh food does not have to break your bank. They will be seeing a lot more of me here.”
- “***** 1.25.12: What a selection! Where do I begin? The produce section is so fresh and they have a great variety. Their hot food bar is amazing. ... They also have an olive bar with many types of olives and even a seafood bar. The bakery area ... had cupcakes the size of both of my fists put together. ... There are several types of sushi and even a section where you can get fresh wraps, paninis, and sandwiches. Don’t forget to stop at the candy bar on your way out.”
- “***** 1.28.12: This new place is fabulous! Very strong competition for Whole Foods with slightly lower prices and outstanding prepared foods. ... I went the first day they opened and actually looked forward to shopping there again, so I did. ... Beautiful salad bar, pastry section, paninis and wraps, and the most gracious and helpful employees you could ever hope to meet. Rockville is so lucky to have this outstanding new market.”
- “***** 2.5.12: In Florida, this was our favorite grocery store for buying ready-made beach picnics, or fast-but-nice hostess gifts. Here, it’s going to replace the intense, high-stress experience that is shopping at North Bethesda Whole Foods.”
- “***** 2.12.12: The Fresh Market is another gourmet grocer similar to both Whole Foods and Balduccis in terms of price point and food offerings. The prices are higher than Whole Foods overall. ... I purchased the food listed above on a Friday and it’s now a Tuesday evening and I still have plenty left. I will definitely venture to The Fresh

This new place is fabulous! Very strong competition for Whole Foods with slightly lower prices and outstanding prepared foods. ... Rockville is so lucky to have this outstanding new market.

*Yelp Reviews
Rockville, MD Store*

This place reminded me of Whole Foods so much that I had walk back out to look at the sign again to make sure that I was not mistaken of where I was. It was beautifully laid out with nice mood lighting and designer trim all around. It is very upscale; it actually looks like a Nordstrom for food. ... Will I be back? ... of course I will.

*Yelp Reviews
Rockville, MD Store*

The Fresh Market Inc.

- Market more often! I am normally out of food from Whole Foods within two days, three max.”
- “**** 2.20.12: This place reminded me of Whole Foods so much that I had walk back out to look at the sign again to make sure that I was not mistaken of where I was. It was beautifully laid out with nice mood lighting and designer trim all around. It is very upscale; it actually looks like a Nordstrom for food and you do pay the price for all these lovely amenities. ... Everything is new and very clean and sparkling. ... The staff was very nice and eager to help. ... Even the music piped through the above speakers was first rate smooth and jazzy. Overall a very pleasant experience if not a bit pricey. Will I be back? ... of course I will.”
 - “*** 1.30.12: Although overall the selection of items was rather impressive, I was unimpressed by the salad bar (tiny) and many of the prepared foods just didn't look that great. Prices varied - some were comparable to WF and other store, some seemed higher. They did, however, have some items I'd not seen elsewhere. I also had problems with design/layout. ... I'll be back to decide whether it remains at 3 stars or whether The Fresh Market is worth more.”
 - “*** 2.13.12: First of all, they've done a great job logistically, so much better than the crammed aisles and general suffocation of the old Whole Foods location. The meat counter guys were super nice. Prices weren't far off of Whole Foods, but I felt they were more interested in serving me kindly, and that goes a long way for me around here. ... I roamed the aisles for awhile, and there were a bunch of interesting offerings, brands I don't typically see, and things like interesting chips and condiments that I may pick up on a whim. ... I'm grateful for this place when I need pretty much anything that comes to mind on a given work night.”
 - “*** 2.14.12: This store is really nice ... the meat is great! However, I was disappointed that the store practically promotes plastic bag usage. For such an upscale atmosphere you would think they would offer the paper bags with handles that MOM's and Whole Foods (only) offers...only reason I didn't give it 5 stars.”
 - “** 2.6.12: The bakery has some great stuff but really not a lot of healthy food focus in the store.”
 - “**2.10.12: Disappointment. Don't waste your money on their prepared foods! You're better off going to Whole Foods or MOM's. ... The quality of their prepared foods is comparable to Safeway; however, they're charging much more! ... Also, the prepared foods should be labeled better (e.g. vegetarian, dairy, contains pork, gluten, etc.) They've got some gourmet & organic stuff (e.g. cereals, snacks, etc.), so I'll give them 1.5 stars for that. ... When you walk in the store you definitely get that vibe because everything is beautifully presented.”

First of all, they've done a great job logistically, so much better than the crammed aisles and general suffocation of the old Whole Foods location.

Yelp Reviews
Rockville, MD Store

Next Steps

Blueshift's next report on The Fresh Market will include follow up with the newly opened stores from our first two reports to measure how business is progressing as they move further from their grand opening date. We want to see if the initial buzz is wearing off or whether the new store is still attracting a crowd six months after their ribbon cutting. We will also gauge whether employee turnover is becoming a factor as these newer stores settle in. We will add a developer silo to speak with a new group of sources that is in charge of development deals to bring TFM into new retail centers. We will also follow up on the rumor about TFM opening its initial California store in Palo Alto with a possible November opening.

Additional research by Carolyn Marshall, Lindsay Gadsby, Erica Franklin, Tina Strasser and Maggie Purcell

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The Fresh Market Inc.

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