

Smart Locations, Demand for Fresher Foods Feeds The Fresh Market’s Expansion

Companies: KR, RDK, SVU, SWY, TFM, WFM, WINN, WMT

November 3, 2011

Research Question:

As The Fresh Market expands, can it succeed outside of its core markets?

Summary of Findings

- [The Fresh Market Inc.’s](#) (TFM) expansion is expected to be a success because of the company’s strong management, high-quality and unique products, positive relationships with suppliers and customers, and efficient operations.
- Choosing the right location for new stores will be key to Fresh Market’s expansion. City official sources said Fresh Market so far has chosen great locations for its current and newest stores. Customers touted the convenience of the locations, and store sources said management effectively uses demographic analysis.
- Fresh Market competes well with [Whole Foods Market Inc.](#) (WFM), rating ahead of or on par with its larger competitor.
- Demand is increasing for fresh foods and the type of specialty items that Fresh Market offers.
- One concern raised is whether the company will be able to meet demand and sustain its reputation as a provider of high-quality and local foods as it moves west and north and takes on new suppliers.

Silo Summaries

1) SUPPLIERS

Five sources expressed optimism about TFM’s expansion and its ability to succeed, pointing to the company’s strong leadership, high-quality merchandise, efficient company operations, well-greased supply chain and on-trend store concept. **Sources supported the expansion and noted TFM’s loyalty to suppliers and ongoing efforts to create strong partner relationships based on transparent communication.** The building fresh foods movement and increasing consumer demand for high-quality prepared foods will only help the company. Sources did not mention any concerns about logistics or supply chain issues as Fresh Market expands into the North and the West.

2) CITY OFFICIALS

Seven sources said TFM is strategically opening stores in affluent areas with increasing traffic counts. Cities pursue the company based on its draw of a high-end grocer, and the company chooses the cities based on population and sometimes job growth. Sources described the company as well-situated in the community and well-supported by customers.

3) INDUSTRY SPECIALISTS

Three sources agreed that TFM could expand beyond its current reach but would need to choose its locations wisely in order to succeed. So far, TFM has demonstrated an ability to carefully select locations. Other challenges include finding affordable real estate in choice upscale neighborhoods, successfully replicating the corporate culture and vision, and managing the added demand on the company’s current logistic and supplier network.

4) STORE VISITS

These five sources said their stores are performing well despite the challenging economy. **They expect expansion efforts to succeed given the company’s customer loyalty, the increased demand for fresh food, and management’s smart demographic analysis.**

5) CUSTOMERS

These seven sources are excited about TFM’s expansion possibilities and believe the company can succeed in new markets. Convenience and location are its greatest business drivers, but its stores also benefit from top-quality products, a neighborhood feel, good customer service, and high-quality prepared meals.

6) COMPETITORS

These four sources knew little about TFM. They said the company is somewhat of a competitor but is not drawing customers away.

	TFM Expansion Will Be a Success	TFM on Par with WFM	Fresh Food Movement Gaining Momentum
Suppliers	↑	↑	↑
City Officials	↑	↑	N/A
Industry Specialists	↑	↑	↑
Store Visits	↑	↑	↑
Customers	↑	↑	N/A

The Fresh Market Inc.

Background

The Fresh Market is a gourmet food chain with more than 100 stores in 21 states, primarily in the Southeast. The company has [plans to expand West](#). It competes with Whole Foods but differentiates itself by focusing more on gourmet products than organic food. As of Sept. 6, the company had an additional [13 stores](#) slated to open soon.

CURRENT RESEARCH

Blueshift's aim is to determine whether The Fresh Market can maintain its success as it expands outside of its core markets and introduces its brand in new locations. Blueshift employed its pattern mining approach to establish and interview sources in seven independent silos:

- 1) Suppliers (5)
- 2) City officials (7)
- 3) Industry specialists (3)
- 4) Store visits (5)
- 5) Customers (7)
- 6) Competitors (4)
- 7) Secondary sources (4)

Blueshift interviewed 31 primary sources and included four of the most relevant secondary sources focused on The Fresh Market's potential expansion to California, a slowdown in grocery store openings in South Carolina, challenges for [Trader Joe's Co.](#) as it introduces larger format stores, and [Amazon.com Inc.](#) (AMZN) getting into the grocery business.

Silos

1) SUPPLIERS

Five sources expressed optimism about The Fresh Market's expansion and its ability to succeed, pointing to the company's strong leadership, high-quality merchandise, efficient company operations, well-greased supply chain and on-trend store concept. Sources supported the expansion and noted Fresh Market's loyalty to suppliers and ongoing efforts to create strong partner relationships based on transparent communication. The building fresh foods movement and increasing consumer demand for high-quality prepared foods will only help the company. Most sources said Fresh Market is on equal footing with Whole Foods but caters to a more upscale clientele. Sources did not mention any concerns about logistics or supply chain issues as Fresh Market expands into the North and the West.

➤ Sales manager, organic bottled juice supplier

This source was extremely bullish on Fresh Market and its expansion plans. The expansion has resulted in an increase in bottled juice orders between January through September, year to year. The Fresh Market should be able to transition from a regional to a national specialty chain given its quality products and its stores' appealing produce-stand feel. The company is on equal footing with Whole Foods and will be able to remain competitive throughout its expansion.

- "They definitely can succeed in expanding into other areas outside of their core market and beyond the Southeastern region. That's because they are offering quality products, and their type of store and the demand for fresh market products have grown immensely and will continue to grow. And, in their market, they are doing extremely well. Obviously, if they tried to expand into low-income areas they may not succeed, but they don't seem to be doing that."
- "'Fresh' is where all of the growth is in our industry. I am not privy to their expansion plans. They have not informed us about it, and I

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Sales Manager
Organic Bottled Juice Supplier

haven't read about it in the trades. It hasn't really had an impact on our operations to date. But our business with them is growing."

- "Our orders and sales are up between January and September, 2010 versus 2011. We are moving in the right direction, so the more they grow, the more we grow. We support their growth. We can see why they want to grow and expand, and ultimately it should increase our orders and sales. We believe in Fresh Market. We want them to succeed, and we want to succeed in our own right with them. We think very highly of them. It's an awesome chain."
- "They definitely can compete on the larger scale. ... They are very good at keeping current with fresh food trends and with organic products. They seem very aware of the latest trends, and they stay on top of what the consumer wants and needs. It's also a pleasant shopping experience, and the people who work in the stores I've visited seem friendly and helpful."
- "Whole Foods and Fresh Market are equal. They are very comparable in terms of the look of the store, the product selection. I can't say about pricing. The biggest difference is that Whole Foods has a broader distribution and is available in more states. I wouldn't compare them to Trader Joe's. I don't shop at Trader Joe's, but it doesn't have that fresh feel. I think people go there if they want a unique packaged, frozen or boxed item but not necessarily for fresh."
- "There is certainly room for others to grow in the fresh market sector because that's where all of the growth in grocery both domestically and worldwide. It's important for them to be in a growth mode at this time so they can take the opportunity to expand and take advantage of this growing movement and just run with it."
- "What makes Fresh Market special is that you can actually sense their strong commitment to the farm-fresh mentality. You can see it in the look of their stores and in the products they choose to sell. I have been in Fresh Market when visiting other states or on location to look at our product displays. The stores have a farm-fresh feel. The color scheme is appealing, and you can see in the way they set up their displays how fresh the food is."
- "We actually don't have any of Fresh Markets in this area. Right now I shop at Whole Foods. I would definitely shop at Fresh Market if we had one here. I love Whole Foods, so to say I would shop at Fresh Market is really saying something about them. If I had the choice of both Fresh Market and Whole Foods, my ultimate choice would come down to convenience and location."

► Director of business development, seafood supplier

Fresh Market's expansion seems orderly, efficient and on target. Success outside its core market is inevitable. The company's supplier loyalty, genuine commitment to sustainability and concern for the fresh food movement are its greatest strengths. This source also praised Fresh Market's smart expansion plan and superior execution. It has made a point of keeping this supplier apprised of expansion progress, changes and supply needs, helping him to meet demand and provide the best price. Fresh Market's local-product supply chain ensures freshness. This source's orders from the company are up. Fresh Market and Whole Foods are on equal footing although the former maintains the feel of a family-owned, private company while Whole Foods comes across as more corporate.

- "They talk about the expansion with me in terms of what to expect for increased demand for our seafood, and we give them regular forecasts on where the price is going. So the expansion has been seamless for us. We are well aware ahead of time what their orders and needs are, and they are constantly giving us information about the plans with regard to the supply of tonnage or pounds, for the whole chain over the next few months."
- "The expansion has had an impact on us in that it has increased demand for our product. It's hard to say how much our orders/sales have gone up in the last few years. I would say we've definitely gone up in the low double digits in the last year."

They definitely can compete on the larger scale. ... They are very good at keeping current with fresh food trends and with organic products. They seem very aware of the latest trends, and they stay on top of what the consumer wants and needs.

*Sales Manager
Organic Bottled Juice Supplier*

They have been very methodical in developing the new stores doing extensive research in the community and in the area to make sure they do not put a store in that would fail. Some companies, when they expand, put a store on every corner. But Fresh Market has relied on a different methodical approach.

*Director of Business Development
Seafood Supplier*

The Fresh Market Inc.

- “There are other companies we do business with who are on the same level as Fresh Market, and when they expand or change leadership you definitely see hiccups. But Fresh Market has made a very seamless transition from private to public and their expansion plans are on an even keel and running well.”
- “They have been very methodical in developing the new stores doing extensive research in the community and in the area to make sure they do not put a store in that would fail. Some companies, when they expand, put a store on every corner. But Fresh Market has relied on a different methodical approach.”
- “The other difference with Fresh Market is that we have a strong relationship with the leadership. We have a transparent relationship where we talk directly to the CEO [Craig Carlock] and other executives, and we get face time with them because they visit. That’s not like other companies.”
- “They are one of the most organized companies I have ever done business with, in terms of their business plans. They are very consistent in how they work with vendors, and there is a very smooth distribution channel. I would rather have 20 customers that run their company as smoothly as Fresh Market than have 100 customers who are disorganized.”
- “They also are very consistent with their business, and they are very loyal, which results in a better product and price. They even stuck with us through the high [price] points rather than looking for a better deal. They are loyal as long as the product meets their specs. We all suffered when the BP oil spill happened, but Fresh Market was faithful, stuck by us and helped us test our products to show they were clean.”
- “Many things make them unique, but the biggest thing they are rolling out is a plan for sustainability and traceability. Some of it is financed from the BP [oil spill reparation] money. The system will allow you to trace a SKU with your phone or show you a map of where the fish was caught and on what boat. They don’t use chemicals, but it can trace chemicals. As far as I’m concerned, Fresh Market is ahead of the game.”
- “They are not doing it as a way to generate more business. They are pursuing traceability and chemical-free because that’s how they feel in their business. They really believe in what they do and in doing the right thing, and that’s why they hold their vendors to such a standard. They make the vendors better companies because they push us hard to make our product better.”
- “The other change they made was in pushing for chemical-free seafood. This was not a big part of the retail food market, but the people who helped change the market were Fresh Market and Whole Foods. It might be more expensive, but the demand is there and it has continued to increase and will continue to increase. Fresh Market’s thing is to carry the best chemical-free seafood.”
- “Fresh Market was the one to push the suppliers to provide local, fresh seafood with no preservatives and no pesticides and all natural. If you are all natural, you won’t sit on the shellfish for long. You have to sell it faster and be more methodical in how you display and shelve it. Fresh Market is even willing to take a loss to ensure the product is the best and the freshest.”
- “Fresh Market and Whole Foods have a very similar philosophy, but Whole Foods has a more corporate feel. That’s not the way it is with Fresh Market; they still feel like a privately held company.”
- “I don’t see anyone shrinking in market share in this segment. I don’t think we will see this market reach saturation any time soon. It will continue to grow because it’s not even out of its infancy phase. It could be 15 years before the fresh market movement reaches a maturity level.”

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*Director of Business Development
Seafood Supplier*

➤ Business development and marketing associate, producer of artisan cheeses

This source’s West Coast sales representatives have reported solid progress in Fresh Market’s expansion plans, which represent an opportunity for her company. Clear communication with suppliers about the expansion status and subsequent changes is vital. Orders are up partly because of Fresh Market’s growth and demand for additional product.

- “The reaction I’m hearing from our West Coast sales rep about the expansion is optimistic. We believe it will prove to be a growth opportunity for our company, and we are hoping that they want to order and put out a larger variety of our product.”
- “Our orders appear to be up with Fresh Market, but we are a supplier that works through a distributor and we are not certain how our supply gets distributed.”

The Fresh Market Inc.

- “The most important element for success in their expansion will be communication. They need to let us know how the consumer is reacting and what we can do to make sure we can meet their demand for our supply.”
- “I think they can be successful in growing outside of their core region. They have a great product and a great reputation. Whole Foods, in my view, is definitely the leader and the largest of the fresh market companies. I would still put Whole Foods at the top. But I would say Fresh Market is not too far below them. They are definitely growing at a good time and in an industry sector that is experiencing the most growth.”
- “They come across to me as a family-oriented fresh market. They have a good selection and quality product. I would not consider them to be super upscale. Fresh Market is a notch above traditional grocery markets. I think of them as being closer to a Trader Joe’s. There is certainly room for growth, and they all seem to have slightly different target audiences.”

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*Business Development Associate
Artisan Cheese Producer*

➤ Western sales representative for a producer of artisan cheeses

Fresh Market’s West Coast expansion appears to be on schedule and running smoothly. This source’s business with the company has grown and will continue to grow as new Fresh Market stores open. Fresh Market has added new cheeses to its ordering schedule.

- “They seem to be doing a good job on the expansion. They seem to be on schedule. I think they can succeed. The size and the concept of Fresh Market are good.”
- “It’s a nice account for us and one that seems to be growing. They are ordering some new items and some different types of cheeses. They are improving the mix and selecting products that will add to the mix in a good way. There are two new products in the pipeline as well. Our products, company-wise, are doing better in their stores and in general.”

➤ National sales manager, supplier of specialty, shelf-stable grocery items

Fresh Market’s expansion can succeed if it is slow, carefully researched and true to the company’s existing approach of providing high-quality prepared meals in an appealing presentation. Fresh Market has been a loyal client. The source supports the expansion because it will lead to growth. The source has been impressed with Fresh Market’s unique characteristics and business acumen.

- “The Fresh Market expansion has had no impact on us to date. The expansion is more of a long-term project. We provide them with initial product for new store openings, and we have not seen an uptick yet. We are a long-time customer and sell them three specialty products.”
- “We are not on the inside track. We are a vendor only. They send us a purchase request and an order; we fill the order, and they pay us. They pay well and on time. Over the past three years our orders have increased, but I believe it is due to our advertising, discount prices and promotions.”
- “We support their expansion because the bottom line is that it means more sales for us. They have been one of our most faithful customers for about 10 years. They are very loyal and run an efficient operation.”
- “I believe they can succeed in their expansion effort. They have established themselves as a unique specialty food shop that offers a shopping experience and has commanded a loyal following. They have proven successful, even in locations where they are in close proximity to competitors. For example, I know of several locations that are one-quarter to one-half mile from a close competitor, [Ruddick Corp.’s/RDK] [Harris Teeter](#). They still have a loyal customer base although they share some customer demographics. Fresh Market is very high-end, offers very fresh food and does an excellent job of

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*National Sales Manager
Shelf-stable Grocery Items Supplier*

The Fresh Market Inc.

presenting a pleasant shopping experience. They have found a niche that needs to be filled but one that larger stores have not serviced.”

- “Fresh Market came into our area about 20 miles away from here two to three years ago. They located in a bedroom community for the auto industry but for the upscale, high-end earner. Their concept and sales were not what they anticipated. In three to four months of opening, they closed. I applaud them for making that move and having the nerve and foresight to realize that it wouldn’t work. They did their homework and they were smart to move into that space. But they were even smarter to close it and leave. ... That showed me they have good business sense and sound business judgment.”
- “They are very different from Whole Foods. ... In Whole Foods, the deli, bakery and other departments are all located on the perimeter of the store. Fresh Market has its focus on the center of the store. They try to pull you in to the central space to drive sales higher. It’s the first store I have seen where the features are in the center. And the presentation is beautiful: salads, deli, you name it. At the same time, they cross-merchandise. It is a very different concept, and as a consumer it gives me a very different feel—and I like it.”
- “I think they compete with Whole Foods. If they remain devoted to quality and to fresh, they will keep themselves a viable player through the expansion. I just hope they are getting good information about their potential locations. Fresh Market is almost a cross between a supermarket and a restaurant. Maintaining high standards of quality and customer service should provide them with the opportunity for growth.”

2) CITY OFFICIALS WHERE FRESH MARKET STORES ARE OPENING SOON

These seven sources said Fresh Market is strategically opening stores in affluent areas with increasing traffic counts. Cities pursue the company based on its draw of a high-end grocer, and the company chooses the cities based on population and sometimes job growth. Sources described the company as well-situated in the community and well-supported by customers. One Fresh Market store moved into a vacated Borders store. Four sources’ markets also have a Whole Foods.

► Assistant director of economic development, Midwest city

This city actively pursued The Fresh Market and Whole Foods after getting an [ESRI](#) report in 2009 that showed residents were leaving the city to shop at high-end, specialty grocery stores. The Fresh Market is set to open by year’s end in a highly trafficked corridor. Whole Foods was not interested, and the city does not plan to court the company again. Trader Joe’s still is of interest, but the community is at a saturation point with the opening of Fresh Market. The company’s nearest competitor is family-run market that does \$25 million in annual sales.

- “We’re an affluent, bedroom community ... with \$90,000 median household income.”
- “The Fresh Market location is in a commercial corridor—35,000 to 38,000 vehicle trips. The space is 25,000 square feet.”
- “The city was actively involved in recruiting Fresh Market. Our residents were asking for upper-echelon markets. We have a euro-fresh style grocer, which has the best produce and deli. [It does] \$25 million a year. Another competitor does \$20 million, while a third is struggling because of the location. It’s an active center, but the prices are high. They’ve rebranded three times in the last seven years, changing the look of the facility inside and out.”
- “We got ESRI data in 2009, looked at the leakage analysis and saw there was a hole in specialty grocers. We saw it as an opportunity to go after and secure [Fresh Market]. Whole Foods was unresponsive.”
- “The financial incentives we offered were fee waivers for construction, a grant for tenant improvement, no-cost expedited reviews.”
- “Fresh Market’s impact in terms of hiring has been minimal. They have a local contractor, but the general contractor is out of their HQ. There’s a coming-soon sign but ... they have not gotten out in the community.”
- “We would possibly pursue Trader Joe’s to come here. No to Whole Foods. But, realistically, we’re saturated from a grocer’s standpoint right now.”
- “The nearest Trader Joe’s is eight miles south. Whole Foods is a good 15 miles.”

The city was actively involved in recruiting Fresh Market. Our residents were asking for upper-echelon markets.

*Assistant Director of Development
Midwest city*

The Fresh Market Inc.

➤ CEO of an economic development council, Southern city

Fresh Market is going into a hot retail market and is experiencing incredible growth. The company was approached by this source's city a few years ago, but took a wait-and-see attitude. [Earth Fare Inc.](#) opened instead and has had considerable success. Now Fresh Market is opening a location, and another higher-end grocer is considering this town as well.

- "We are a really stable community. Our industries are healthcare and the university. We're not recession-proof, but our housing is stable or increased, our unemployment is lower than state and national averages, and we're consistently recognized for our great community and housing market."
- "We are an educational and retail hub. People come from the other communities to shop here. We are the first choice and lead in retail sales."
- "We don't have a Whole Foods, but we do have an Earth Fare. It opened about two years ago. We recruited Fresh Market prior to Earth Fare, but they wanted to see how the Earth Fare did. Now Fresh Market is coming rushing into the area—roughly half a mile from Earth Fare, maybe less."
- "Fresh Market chose us because of the stability of our local economy. We're doing well in retail, there are several new restaurants opening. ... We're not a boom town. I think we just weathered the storm more than most."
- "When The Fresh Market announcement was made, the general public's reaction was 'That's great! Now I don't have to go 60 miles away for specialty grocery needs.' Consumers are ready to roll out the red carpet."
- "I think Fresh Market is opening in January. ... I'm not aware of Fresh Market hiring; it's probably a little too early."
- "Fresh Market is going into a great location. Earth Fare and Fresh Market are adjacent to each other."
- "We had another grocer ... in our office about three weeks ago. It's a very well-known chain scouting around. Fresh Market coming to our area opened their eyes a bit. They are looking to expand into this market on the mid-to high-end side."

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*CEO, Economic Development Council
Southern City*

➤ Communication and research manager, Southern city

The new Fresh Market store and other national retailers are taking notice of this market's job growth. The city also has a Whole Foods, but the source expects no real customer shift because community members tend to shop within their own neighborhoods.

- "Everything I've seen has been really positive. Fresh Market is taking over an existing building. They kept the façade intact. They didn't have to change the fabric of the neighborhood, the grid of the street."
- "Whole Foods was interesting. There was a bit of resistance because they would have had to change the street grid. ... They're now in an old transit station. People are happy, no negative impact."
- "Our city added close to 11,000 jobs since September 2010. That growth has a large part to do with why Fresh Market chose us."
- "Looking at recent trends with job growth, the types of jobs coming to the area within the last 18 months are in a variety of industries. One [manufacturing] company is in the process of hiring 600 people and a video game publisher is bringing in 150 new jobs. It's more diverse than our history has shown. It's been building over the last couple of years and national retailers are seeing that."
- "There's a lot of redevelopment of the intersection where Fresh Market is located. There are two new developments under construction. Fresh Market's location was a Borders, so it had been newly renovated."
- "From what I hear, Best Buy, H&M and a high-end grocer were considered by the city for that space, and they went with the high-end grocer."
- "You can be in a nice area and two blocks away you are not. Grocery stores have been hesitant to go into this area because of that. They can't read the demographics, but there is a Whole Foods here so Fresh Market could have looked at that. They will be a few miles away from each other."

Fresh Market's location was a Borders, so it had been newly renovated.

*Communication & Research Manager
Southern city*

The Fresh Market Inc.

- “People are very neighborhood-centric. Fresh Market is going into this area, and people don’t want to go a few miles away to Whole Foods. There is no Trader Joe’s, and I heard the reason for that is they don’t go into area where they don’t have a distribution center within 150 miles.”
- “Shopping local is a point of pride here. That made people hesitant at a national level. ... Now local and national chains coexist, especially for grocery stores.”

➤ Research and communication specialist, Southern City

Fresh Market led the way into this market, followed by Whole Foods and Trader Joe’s, all within the last four years. The town’s population is growing, partially because of an influx of people relocating for work. A small competitor was bought out by a much larger chain a year ago, which further shook up the area’s customer base and market share. The second Fresh Market location is closer to downtown, possibly in an attempt to bridge the gap between downtown and suburb residents who typically do not shop outside of their immediate areas.

- “There aren’t a lot of people originally from here. A lot of relocated people, no traditional shopping base, not set in their ways.”
- “We’ve had a Fresh Market for maybe three to four years, with the other [coming soon]. It’s probably a 15-minute drive between the two.”
- “Originally, Fresh Market was the first to come in, and then Trader Joe’s and Whole Foods after that.”
- “It’s actually exploded in the last four years—a Whole Foods, a Trader Joe’s located almost right next to each other in the same development, about five minutes west of the existing Fresh Market. None are smack-dab in the city center. The new Fresh Market location is the closest in, where there’s a lot of residential and retail two to three miles from downtown.”
- “People don’t go downtown and people who live downtown don’t go out to shop except for maybe Trader Joe’s. They draw people out of town once in a while for a special trip.”
- “If [Fresh Market] were [hiring], I’d probably know about it because we also run a [jobs board]. But I haven’t heard anything.”

➤ Director of Development, Southern City

Fresh Market is relocating its store to a retail center with higher traffic counts in a more affluent area to reach a broader yet more targeted audience. It does not have competition from Trader Joe’s or Whole Foods in the new location.

- “Fresh Market is in the process of moving ... to a bigger intersection in terms of traffic count.”
- “Their current location is not as affluent, not as much residential. It’s still a high-quality retail area but not as much as their new location.”
- “Fresh Market’s target audience is in two areas—folks in the original suburbs or people further out east.”
- “There are no Whole Foods or Trader Joe’s. We’d be more likely to get a Trader Joe’s than a Whole Foods in the next five years.”
- “I just know Fresh Market from being in Knoxville ... homey, warm, wood finishing. It’s a [different] shopping experience.”

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*Director of Development
Southern City*

➤ Business and events manager, Southern city

Fresh Market is opening a new store within 10 miles of its initial store and is likely to take customers from Whole Foods more than any other grocery store. This source supports Fresh Market’s expansion because it offers options for shoppers, and believes the store will do well in its new location, an affluent and densely populated area. In the 10 miles stretch between Fresh Market’s first and second locations, there are two Whole Foods, three [Gardner’s Markets](#), as well as several [Publix Super Markets Inc.](#) locations. The source said Fresh Market would compete mostly with Whole Foods and potentially Gardner’s Markets, which is similar to Trader Joe’s.

- “Fresh Markets are going into an affluent area that is densely populated and services most of [the county].”
- “Of Fresh Market’s competitors in the area, only Publix has been around a long time. The Whole Foods is three to four miles from Fresh Market’s first location. Fresh Market will probably take more customers from Whole Foods than Publix. Publix has the standard brands, more of a shop where you buy a ton of things. Whole Foods and Fresh Market are more similar.”
- “It’s great having them in the area. [We] couldn’t wait for a Whole Foods and Fresh Market.”

The Fresh Market Inc.

- “Gardner’s Market is local competitors—same market, same store type. Gardner’s will be the bigger competitor; it’s more like a Trader Joe’s. There may be a shift to a degree, but they have a loyal base. But Fresh Market in that area competes more with Whole Foods.”

➤ Department of city development, Midwest City

Fresh Market’s new location is in a small, affluent suburb. The nearest Whole Foods is 10 miles away, and a Trader Joe’s is in between the two. The source was unable to speculate on customer shifts.

- “There is one Whole Foods in the area and one Trader Joe’s in the suburbs—three to four miles away from the new Fresh Market but on the same street.”
- “Fresh Market’s location is right off the freeway with a bunch of other suburbs running north and south.”
- “That Fresh Market is in a high-income suburb with a population of about 7,000 people.”

3) INDUSTRY SPECIALISTS

These three sources agreed that Fresh Market could expand beyond its current reach but would need to choose its locations wisely in order to succeed. So far, Fresh Market has demonstrated an ability to carefully select locations. Other challenges include finding affordable real estate in choice upscale neighborhoods, successfully replicating the corporate culture and vision, and managing the added demand on the company’s current logistic and supplier network.

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

Fresh Market’s concept is unique enough to succeed in locations beyond the Southeast, but the company must find available space to serve upscale communities that have been demanding fresher food. Challenges include finding well-priced real estate, committed personnel, the ability to replicate a corporate culture/vision, and increased competition from regional competitors with similar concepts. Fresh Market is more upscale than Whole Foods and caters to a slightly different demographic while Trader Joe’s targets another audience altogether.

- “Fresh Market is clearly in a position to do well as it expands, and its success in the Southeast is evidence of that. They will basically use the same format, and a couple of things favor them: People are always trying to save time. A major part of Fresh Market’s format is in providing prepared meals. That’s their real claim to fame, and it is a very attractive market to be in.”
- “A huge part of the market’s definition of prepared food is McDonald’s, but it appears there is a large enough group that wants something nicer than fast food. There is no reason to believe that people in other parts of the country don’t have the same time crunch. The trouble is, as they expand they will bump up against more competition. There is [Wegmans \[Food Markets Inc.\]](#) in the East. In California there are places such as [Andronico’s \[Market Inc.\]](#). In urban markets like New York, there is [Balducci’s](#). So it won’t be as easy to succeed as it was in the Southeast.”
- “They need to select the proper location and to make sure that location has a high percentage of dual-income families and that they settle in a community that values what they offer: high-quality food. The decision to provide local is easier and won’t make any difference if you can find the demographic. The key question comes down to whether there is affordable real estate in the place you want to be.”
- “Is the concept expandable to other areas? Yes. The question is how well you execute as you get out of your own backyard. I can’t say whether the management understands the concept of expansion. Can they capture the same feeling over and over again in different areas? Can they find the right location at the right price? The hardest thing to replicate is customer service in a new location.”
- “With Fresh Market, I believe calling it ‘unique’ is too strong a word, but it is a different enough alternative food concept that can theoretically transfer to other locations. It is different enough so that people will go out of their way to go there. It is a different format than a Publix or a Safeway so you cannot compare. There are competitors, but just not as

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*Professor of Food Marketing
University Business School*

many. Because they use a different format, it has much more potential to succeed. Fresh Market is not exactly a deli, and it's not exactly a restaurant. I find that the harder it is for me to describe a business, the greater chance it has of success."

- "The biggest obstacle in expanding a business is success. You can't become complacent. Success in the Southeast is no guarantee they will be successful elsewhere."
- "Fresh Market is more upscale than Whole Foods. Whole Foods is a full-service grocery store. Whole Foods positions itself as a slightly healthier alternative. Fresh Market takes a more high-quality position that may be less healthy but more delicious. You can't go to Fresh Market and buy 100% of your groceries there. Whole Foods is more of a 40,000 to 60,000-item market whereas Fresh Market has many fewer products. Trader Joe's is not a prepared-food place. Trader Joe's is owned by the Albrecht Brothers of Germany, who also own [Aldi](#). All they sell is private label or their own products. The two have the same format but sell different products."

► Professor of hospitality/foodservice and retail cost management at an East Coast business school

Fresh Market will achieve a successful expansion if the growth occurs deliberately and is pursued in upscale/affluent communities where consumers demand specialty gourmet foods. Fresh Market, Whole Foods and Trader Joe's can coexist because the store formats and products cater to different customers. Issues include finding locations where Fresh Market can adhere to its concept of offering a local, fresh supply of the highest quality product and can hire and train personnel committed to its concept and culture.

- "To succeed, they have to be careful about location. They have to find an area where a fresh market appeals to the residents because they want high-end ingredients and quality meats. I think they have to grow slowly and strategically and carefully. They can open one to two stores in an area but not more than that because they sell specialty products and not commodities."
- "They need to locate in affluent neighborhoods where people live in homes that are valued at the mid- to high six figures. Those are the people they appeal to, not the middle class and not people who shop at Wal-Mart. They need to look at the demographics of communities that are within the five, 10 and 15-mile radius and look for areas with higher-income residents. They will have a higher chance of success if they follow these guidelines."
- "There's a huge difference between Whole Foods and Fresh Market. Fresh Market is an upscale market with more prepared foods. The produce department looks like a display of [Harry & David](#) gift baskets. They have flawless, perfect fruit. The coffee, the deli and the bakery are all kicked up a notch in quality. The service is incredible. There's the skill of the meat cutter. You can talk to the butcher and tell him exactly what cut of meat you want. The wine boutique has wine that you are not going to see at a Whole Foods or [\[The\] Kroger \[Inc./KR\]](#)."
- "The products are exclusive ... and pricey. ... But when people shop there, they are mentally ready to spend more and loosen their purse strings. We don't have one here in Atlanta, but when we go on vacation to Destin, FL, we go in and it's quite impressive."
- "I consider Whole Foods just a notch below Fresh Market and above a Trader Joe's or Kroger's or Publix. Fresh Market is a white tablecloth restaurant whereas Whole Foods is more like a Kroger's superstore. Trader Joe's is not trying to be a grocery store. They have unique canned, frozen and packaged foods."
- "I don't think they draw from the same demographic. If there were a Whole Foods, a Trader Joe's and Fresh Market all within the four corners of an intersection, they all would have a different purpose. Fresh Market has high-end seafood, meats and prepared foods. Whole Foods has more of an appeal to people seeking ethnic food such as Spanish or Korean. Whole Foods produce blows away everyone else. Fresh Market has beautiful produce, but they don't have the variety of a Whole Foods. With Whole Foods you have a broader line of produce

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*Professor of Hospitality/Foodservice
East Coast Business School*

The Fresh Market Inc.

and seafood and meats, but I don't think it's necessarily local. ... The price points at Fresh Market are much higher than at Whole Foods, but they are going after different customers."

- "If they are trying to maintain the local aspect as they go into areas, they need to see if there are local sources of supply beforehand and to see if the producers can supply in sufficient quantities."
- "They also need a management team for the supermarkets on the West Coast. They have to give support to new stores in California and Illinois. When you build out of state/area, you also have to know how many stores you need to make it work and know that you have the suppliers. But they have to stay small because they have the higher quality."
- "There is not an endless supply of higher-quality producers. Prime meat, for example, is only 10% of the cattle slaughter. If it's not available, you may have to go with the regular and that could change the whole nature of your product and operation. You have to worry about not getting too large."

► **Paulo Goelzer, Ph.D., retail food consultant, president of the [Retail Learning Institute](#)**

Successful expansions are difficult to achieve, especially if the growth occurs well outside of the existing core operation. The source questioned whether Fresh Market has a logistics network and/or local fresh product sources to service an expanded supply chain. Fresh Market lags behind Whole Foods and Trader Joe's.

- "I am not directly familiar with their expansion plans, but I am familiar with the store because I conduct research in the field and train grocery executives yearly. I conduct training in Atlanta with 70 professionals from seven countries, and Fresh Market is one of the markets we examine and review."
- "Is there room for another fresh, gourmet market? That's the big question. I think there is room, but where and how to expand is the question. You need to have a close relationship with that market and communicate what you are trying to achieve. I don't know if they have that rapport or not. I don't think they are a bad operation. Their stores look good, and their product looks good."
- "Fresh Market has 100 stores in territories that cover half of the Eastern states. My issue for their expansion is one of logistics. If you are expanding from your core and placing one store here and another store there, then how do you manage your supply chain? This is especially important because in our industry there are razor-thin margins, so how do you justify an expansion and the logistics network to supply stores in the larger footprint, one that is away from the core?"
- "I think many communities in the Central and Western parts of the country are interested in the fresh market movement. ... In Chicago, there is a location that says Fresh Market is coming soon. But I see a logistics problem. Food has to come from a warehouse, and you need a supply chain to service that warehouse. When some stores are so far apart or far away from the core and you want to provide exclusive merchandise, how do you set up that supply chain?"
- "I like the store. It has character and tries to differentiate itself. I like the brand. But I think if you want to promote yourself as 'fresh,' you need to buy and rely on local. ... Perhaps they have it, but I don't see it or know about it."
- "If you use a wholesaler, then the merchandise is no longer special and it has no direct identity with the core. When you expand, it implies you will no longer have concentrated buying power unless you have centralized logistics. If your goods are coming from a warehouse, you have to overcome the problems of time and distance, and when it comes to fresh foods that leads to higher costs."
- "You also need to think about your [employees] and how you can create a culture and identity both at the new location and tied to the

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Retail Food Consultant

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Retail Food Consultant

company core. How does a company that identifies itself as special keep that atmosphere together when they build a larger footprint? They may lose some of that character.”

- “When you get larger, marketing is more important and yet it is harder to build your name because you can no longer share media. It is true that today media is dispersed due to social media and the iPad and iPhone, but still, in terms of marketing, when your stores are closer you can create a more powerful identity.”
- “Can they succeed? It is hard to say. The grocery market is very competitive. Compared to Whole Foods and Trader Joe’s, they are behind. They do not have the clear competitive advantage that a Whole Foods or Trader Joe’s has.”

4) FRESH MARKET STORE VISITS

These five sources said their stores are performing well despite the challenging economy. They expect expansion efforts to succeed given the company’s customer loyalty, the increased demand for fresh food, and management’s smart demographic analysis. Fresh Market holds up well against competition from Whole Foods, Trader Joe’s and other specialty stores.

➤ Manager, Illinois

Fresh Market conducts demographic studies prior to developing in an area. This source said the store is in an affluent area and does very well. Perishables are the biggest draw, and most customers are local. All nearby grocers compete with his store for business. The economy is strong enough to sustain the company’s growth.

- “Our store opened about four years ago. It has done very well.”
- “We do very well at this store. We are where we are supposed to be with sales.”
- “We are in an upscale area. It costs money to live around here.”
- “There is more than enough money around here to keep the store going good.”
- “I know they do demographic studies before they go into any area. They need to make sure the resources are there before moving in.”
- “I know we are opening a new store in this area. The money is out there to support it.”
- “Most of our business is local. Most customers live in town or very nearby.”
- “Our biggest draw is our perishables. It is what we are known for. Everything is fresh.”
- “There is no specific age group or demographic. It is all ages and all types of people.”
- “[Safeway Inc.’s/SWY] [Dominick’s](#), [Supervalu Inc.’s/SVU] [Jewel-Osco](#), Whole Foods, Trader Joe’s—they all are our competitors. It is not one store specifically that we compete with. All those are close and in the area so we compete with all of them.”

Reporter Observations: Three registers were open during our 45-minute visit on a Tuesday afternoon, and approximately 35 customers were present, ranging from 20 to 75 years old and representing a number of races. Several sampling areas were located throughout the store.

➤ Assistant manager, Illinois

Loyal customers will keep Fresh Market’s expansion strong. The economy has had no effect on this store’s sales. Produce and ready-to-eat meals are the top sellers. Trader Joe’s is the store’s biggest competitor. The nearest Whole Foods is 30 minutes away.

- “Our store opened seven years ago.”
- “We are doing fine at the store. We meet our expectations with no problem at all.”
- “The economy has not had an effect on our store at all. Our shoppers come here no matter what.”
- “People think we are a small store, but we are a big company. We are doing well.”
- “I think we can keep expanding. We have our core customers, and they are loyal to the store. I don’t see why that would be different in another area.”
- “Our best seller is our produce. The ready-to-eat foods are probably after that.”

I think we can keep expanding. We have our core customers, and they are loyal to the store. I don’t see why that would be different in another area.

*Assistant Manager, Fresh Market Store
Illinois*

The Fresh Market Inc.

- “Our draw is probably our organic stuff. After that, we have a great selection of ready-to-eat food. People really love them and buy them all the time.”
- “Our biggest competitor is Trader Joe’s. A lot of our customers shop at both stores. There is one about 10 minutes away.”
- “Our average customer is in their 30s or 40s. We get mostly family people here. This is a big area for families. But we do get singles too.”
- “I know some of our customers also shop at Whole Foods. The closest one is at least a 30-minute drive, but they go there.”
- “If they opened a Whole Foods closer, I don’t think it would have that much of an effect on our sales. People come here for certain things, and they shop there for other things that we don’t carry. We have different merchandise.”

Reporter Observations: This store’s shoppers were younger than those seen at the other Chicago store visited by Blueshift. At least 15 middle-aged adults and their kids as well as younger adults were in the store during our Saturday afternoon visit.

➤ Sales associate, Ohio

The store’s customer base is middle-aged, wealthy and white. The store draws mostly from a single affluent neighborhood and yet has a loyal following from this group. The source said the company has plans to add one or two more stores in nearby suburbs within the next year, and is doing quite well despite difficult economic times.

- “We specialize in really fresh food. We are more gourmet than Whole Foods, which is more organic and healthy. We have our organics but also more regular foods.”
- “We compete with Whole Foods, but we also compete with [Wal-Mart \[Stores Inc./WMT\]](#) and Kroger because that’s where other people buy their groceries.”
- “We’re expensive, but the company is doing great.”
- “The tough part for our store is that we really only draw from one town because of our high prices. But we are planning to open one or two stores in other affluent areas nearby, which should help the company overall though I am not sure what that will mean for our store.”

➤ Manager, Florida

This location has held up well against Whole Foods and other grocers in the five years it has been open. The store’s customers are a mix of seasonal visitors and year-round locals. Despite the current economic lull, shoppers continue to buy fresh and specialty groceries. Company expansion is expected to be successful, though California might present challenges given customers’ particularities.

- “Business is good. Customers like our fresh food. We are smaller than Whole Foods and provide a more intimate shopping experience. We have more specialty items than they do, too.”
- “A lot of customers like that we are small and comment to us about how crazy it is at Whole Foods and the food and choices at Publix are horrible. They like how easy it is to shop here.”
- “Three new stores are opening in South Florida; I know they will do well. Publix is annoying and a horrible shopping experience. Our customers are seeking something better, and we have it.”
- “We have seasonal customers from the North who don’t have a Fresh Market, and they love our store when they come down and wish they had one. A few have been excited to tell me their town is getting one soon.”
- “Prices have not had much of an impact on our business; shoppers will always want to buy fresh, healthy food no matter the cost.”
- “I think expansion will only help get our name out there.”
- “California may be hard because customers are more particular there.”
- “We have a lot of regulars and new shoppers every day. We are doing well.”

A lot of customers like that we are small and comment to us about how crazy it is at Whole Foods and the food and choices at Publix are horrible. They like how easy it is to shop here.

*Manager, Fresh Market Store
Florida*

Reporter Observations: The store had great lighting and organization. The staff was helpful, friendly and knowledgeable about products. Although approximately 30 shoppers were present during our 40-minute visit at 1 p.m. on a Thursday,

The Fresh Market Inc.

the store did not seem crowded. Prices were on par with expectations in terms of specialty items.

➤ **Manager, Florida**

This six-year-old store has remained successful even during this turbulent economic period. Fresh Market's expansion efforts are timely given shoppers' desire for a fresher, higher-quality experience. Expansion will only help with name recognition and allow all Fresh Market stores to be successful.

- "We have been open six years, and since then business has increased tenfold. My store is doing very well."
- "Ninety percent of our shoppers are women."
- "We give top-of-the-line service to our customers, and that sets us apart."
- "I don't think we have any competition."
- "Our customers are still shopping; our prices are consistent with other local stores. The economy has not changed our business."
- "Fresh Market's expansion will only be positive for our store. The more people who see us and shop us, the more name recognition we will get, growing our brand and market."
- "I can't foresee any problems with our expansion. Florida has needed another option other than Publix for a while. Shoppers are ready for Fresh Market."

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*Manager, Fresh Market Store
Florida*

5) CUSTOMERS

These seven sources said they are excited about Fresh Market's expansion possibilities and believe the company can succeed in new markets. Convenience and location are its greatest business drivers, but its stores also benefit from top-quality products, a neighborhood feel, good customer service, and high-quality prepared meals. Three sources prefer Fresh Market over Whole Foods, while four others said the two companies are comparable. Six sources shop at Fresh Market only for specialty items. Only two sources said Fresh Market's prices were a deterrent.

➤ **Chicago mother in her early 30s**

Fresh Market can grow based on the expansion of Whole Foods in recent years. She shops at Fresh Market biweekly and mainly purchases meat and fruit. She shops at Whole Foods half as often as Fresh Market. Different products drive her to shop at both stores, and she does not prefer one over the other.

- "I definitely think Fresh Market can grow. There are a lot more Whole Foods now than a few years ago, so I don't know why it wouldn't work for Fresh Market."
- "People want fresh food, and you always get that Fresh Market."
- "I shop at Fresh Market two times a week. It's not far from my house."
- "I like that they have different things than a normal store."
- "I like both Fresh Market and Whole Foods. I can't say that I prefer one over the other. They both have appeal and good products."
- "I go to each store for different things. I like that they carry different merchandise that is specific to that store. I get certain items here, and others I can only get at Whole Foods."
- "I only shop at Whole Foods because it is near where I work out. If it weren't so convenient, I would not shop there as much. I am there almost weekly."
- "I mainly purchase fruit and meat here. And I occasionally get deli."
- "I do think their steaks and fish are a little nicer than Whole Foods'."

I definitely think Fresh Market can grow. There are a lot more Whole Foods now than a few years ago, so I don't know why it wouldn't work for Fresh Market.

Customer, Fresh Market Store

➤ **Woman in her 40s or 50s in a Chicago store**

Fresh Market can grow because its stores are nice and offer unique items. This source shops biweekly for her wealthy boss who likes the store's fresh meat. She spends approximately \$80 each trip. For her own shopping, she prefers Trader's Joes because of its more affordable prices. The holidays will increase her shopping trips to Fresh Market.

The Fresh Market Inc.

- “It is a nice store. Everything is so fresh. I always see people in here.”
- “I think they can succeed and grow. They have nice stuff here and lots of different things. You just have to have money to shop here.”
- “It is too expensive for me to shop here, but not for the lady I work for. She is rich.”
- “I have been coming here twice a week for several years for my boss.”
- “My boss really likes the meat here. I get fish, chicken, steak; she really likes their steaks.”
- “I spend around \$80 on every time I come here.”
- “Things cost a lot here, but it’s not my money so I don’t care. And my boss doesn’t care either that the prices are high. She likes it.”
- “I prefer to shop at Trader Joe’s. The prices are much better for me.”
- “My boss loves that the steaks here are very fresh. I buy them almost every week.”
- “I have been shopping here more in the last couple months because there was just a holiday. And more are coming so I will be coming here more than I was six months ago.”
- “This is close to her house so it is very convenient and easy to come over.”
- “I sometimes get myself something from the deli for lunch. They have pretty good food.”

➤ Middle-aged Chicago woman

Fresh Market has room to grow if Whole Foods does not expand into the area. This source shops most often at Dominick’s and goes to Fresh Market for special supplies. She said Fresh Market’s selection is top-quality but not appropriate for everyday grocery shopping. She said her family could not tell the difference between meat from Fresh Market and Dominick’s.

- “I think there is plenty of room for Fresh Market to grow if Whole Foods doesn’t come in. If Whole Foods were to open in the area, that could have an effect on Fresh Market’s business, but I don’t think they would go out of business.”
- “Everything Fresh Market carries is top of the line. If you want something really good, you go to Fresh Market as opposed to the other stores in the area.”
- “The last time I was there was two weeks ago. We had friends over, and I picked up some appetizers.”
- “I don’t think someone could do all their grocery shopping at Fresh Market. I couldn’t. They don’t have everything I need there, and it’s too expensive to do all my shopping there.”
- “I buy most of my groceries from Dominick’s. I am there almost every day. But if it’s a special occasion or we are entertaining, I go to Fresh Market.”
- “The meat at Fresh Market is more expensive than Dominick’s. That makes a difference when you are cooking meat a few times a week like we do.”
- “I get filet mignon at Dominick’s for \$15.99 a pound. It is over \$20 a pound at Fresh Market.”
- “I can tell a difference between the steaks at Fresh Market and Dominick’s. Fresh Market is definitely better. But with the chicken, I can’t tell the difference. The quality is the same at both stores.”
- “My family couldn’t tell the difference, so I figured why should I spend the extra money when they don’t even notice?”
- “Fresh Market’s produce is really good. I don’t notice a big difference in their produce prices. They are not that much higher than the other stores.”
- “Fresh Market doesn’t have any packaged or bulk meat. Everything they have is in the case.”
- “The store is pretty small but cute. The layout is good, and the store is very appealing looking.”

I don’t think someone could do all their grocery shopping at Fresh Market. I couldn’t. They don’t have everything I need there, and it’s too expensive to do all my shopping there. ... If it’s a special occasion or we are entertaining, I go to Fresh Market.

*Customer, Fresh Market Store
Chicago*

➤ Woman in her 50s, Columbus, OH

The store excels in offering quality, service and specialty items, but still is not this source’s primary grocery retailer because of its higher prices. She prefers Fresh Market over Whole Foods and said it should do well with its expansion if it chooses the right locations for its clientele.

The Fresh Market Inc.

- “I like the uniqueness of the store. There is a lot of variety and high-quality products I can’t find in a regular grocery store. The fresh produce is very good.”
- “I like it better than Whole Foods because of its customer service, which is very good.”
- “The one drawback is the cost. I pay a lot more than at a regular grocery store, but that’s because it is all organic and free range.”
- “I don’t shop at Fresh Market for my groceries, like at Trader Joe’s. I go to The Fresh Market to buy specialty items only.”
- “I’ve heard they are going to open a store in the Polaris shopping center. It’s in a growing neighborhood, is newer and younger than their one store in Columbus, and the mall is a big draw for shoppers. I’ll still shop at the other store, but if they open at Polaris, they’ll get a lot of customers and traffic. That’s a good location for them.”

I like it better than Whole Foods because of its customer service, which is very good.

*Customer, Fresh Market Store
Columbus, OH*

➤ Woman in her 60s in a Florida store

This source has been a loyal shopper since the location opened five years ago. She purchases a few items at a time and shops the store three times a week for their fresh bread and other specialty items. She sees company expansion as a positive and hopes the rest of the country has room for another specialty grocer.

- “I love this place! I have been shopping here since they opened. It was a welcomed breath of fresh air.”
- “I shop at other places too, Publix, Wal-Mart and Joseph’s [Classic Market]. I really try to get the best price and quality on items where it counts.”
- “I shop here three times a week for bread; they make the best fresh bread. I also buy other small items we need for a recipe, like capers. I like to buy the bulk nuts and snacks they make too, about once a month.”
- “I buy three to four items a time and spend anywhere from \$15 to \$35 a trip.”
- “I like Whole Foods but don’t shop there. The other stores have everything I need at the best price and [Whole Foods] is always so crowded.”
- “Sometimes I wonder how Fresh Market makes it because it seems so quiet in there sometimes.”
- “I think Fresh Market’s expansion will help them. I hope so anyway; they are such a specialty store and I hope the country is ready for other choices.”
- “Yes, I tell my friends about Fresh Market. Whenever I have a get-together I serve their bread and everyone raves about it. So Fresh Market gets a lot of free advertising from me.”

➤ Florida woman in her 50s

This customer shops only at The Fresh Market out of habit and location. She enjoys the freshness and quality of the food and sees no reason to shop at Whole Foods. The company’s expansion success will depend on providing convenient locations.

- “This is the only place I shop. My husband shops at Publix for the fill in things, but I can’t stand it there and refuse to go.”
- “I spend about \$200 a week. That has been pretty consistent for the last few years. I don’t think it will change anytime soon.”
- “I don’t mind paying a little extra to shop at Fresh Market; it is worth it for me to have a nice shopping experience and the freshest foods.”
- “I love the premade dinner items Fresh Market makes. It’s so easy to buy them ready to go and no clean up, and I know they are fresh and healthy.”
- “I tell my friends about it all the time; we share tips on things we like from there.”
- “As long as the economy can sustain expansion, I think Fresh Market will do well. If they advertise more and maybe start a rewards or member program, they might be able to capture more business.”
- “I do miss Trader Joe’s; I wish there was one here. Whole Foods is OK, but I rarely shop there. I like to go for lunch or something. Fresh Market is the closest to my home, and I am just used to it.”

I don’t mind paying a little extra to shop at Fresh Market; it is worth it for me to have a nice shopping experience and the freshest foods.

*Customer, Fresh Market Store
Florida*

➤ 34-year-old woman, Atlanta

Fresh Market’s expansion will be successful if the company can market well and can lose the yuppie, high-priced image. This source said Fresh Market has prices that are comparable to Publix, C&S Wholesale Grocers Inc.’s [Piggly Wiggly](#) and

The Fresh Market Inc.

[Winn-Dixie Stores Inc.](#) (WINN) but also offers a neighborhood feel and better food selection and quality. Trader Joe's, Whole Foods and Fresh Market are similar, but she shops at Fresh Market because of the convenient location.

- “Fresh Market near us opened about a year ago. The other one in town is about 20 minutes away and I haven't seen or heard of new openings.”
- “I shop at Fresh Market because it's close to my home and convenient when I'm dropping my son off at school. Also, the deli section has some wonderful items for quick meals on those busy nights. The wine, coffee and spice sections are super.”
- “I would encourage [a friend] to stop in [to Fresh Market]. It has a neighborhood market feel, great service and prices are comparable to large chain supermarkets in the area.”
- “I'm excited about Fresh Market's expansion efforts. The more, the merrier. People need to get out of their mind it's a 'yuppie' or 'uppity' place to shop. Again, prices are comparable to a local Publix.”
- “If it is marketed well, I don't believe there will be many struggles. As soon as you get a consumer in the door, show them the quality of foods, variety, give them that neighborhood feel, and most importantly show them that the cost of a box of pasta is about the same as they would pay at a Publix or Winn-Dixie, they will keep coming.”
- “As far as comparing Fresh Market to Trader Joe's and Whole Foods, from what I remember [they are] very similar. All three have a good wine and deli selection. Fresh Market's coffee—and large selection of it—might outdo the others. I have never shopped at Earth Fare.”

“It has a neighborhood market feel, great service and prices are comparable to large chain supermarkets in the area.”

*Customer, Fresh Market Store
Atlanta*

6) FRESH MARKET COMPETITORS

These four sources knew little about Fresh Market. They said the company is somewhat of a competitor but is not drawing customers away.

➤ Whole Foods customer service supervisor, Chicago area

This source and other associates at this Whole Foods location did not know much about Fresh Market. However, they said the two stores do share customers. Weekends are the most profitable, and the source's store is meeting its sales goals. The thriving local economy and a nearby university support both this store and a smaller sister store less than a mile away.

- “I do think success depends on the area. We can sustain two stores less than a mile from each other, but that might not work in another area. There are a lot of factors that come into play.”
- “You would think having the stores so close to one another would have an effect on business, but it doesn't. We have our customers, and they have theirs.”
- “We do well. We meet our goals. Whatever dips we might have during the week always get made up on the weekends. We are busy every weekend, especially when there are games.”
- “Our other store in town does OK. They are not struggling.”
- “Our appeal is our wide selection and great customer service. People really love our service.”
- “We get all types of people shopping here. There is not one type of person.”
- “I don't know anything about the Fresh Market, their mission or what they carry.”
- “I do hear some customers talking about Fresh Market. I hear them saying how they have just come from there and now they are doing some shopping here. And I occasionally see someone carrying a reusable bag with the Fresh Market name on it.”
- “I usually hear those comments about Fresh Market in the morning, coming from middle-aged females. ... They generally only purchase a few items each trip, so they must be getting some groceries at Fresh Market and then a few things here. We must share some customers.”
- “There is a Jewel-Osco right across the street from our other store, but I

“I usually hear those comments about Fresh Market in the morning, coming from middle-aged females. ... They generally only purchase a few items each trip, so they must be getting some groceries at Fresh Market and then a few things here. We must share some customers.”

*Customer, Whole Foods
Chicago-area*

The Fresh Market Inc.

don't think it has an effect on our business. We have a totally different appeal and different merchandise. Our store is all about natural and organic products. Jewel is not."

Reporter Observations: Three registers were open, and two staff members were at the customer service desk during our Thursday visit at 1:30 p.m. Staff members were not nearly as attentive as those in other Whole Foods stores. Most of the 25 customers had carts and baskets and were not just browsing. No samples were being offered, and no storewide sale or promotion was taking place.

➤ Jewel-Osco assistant manager, Chicago suburb

This source has only heard of Fresh Market and does not know anything about the company or the nearby Fresh Market store. She said Jewel is remodeling a sister store. Her store's average customer is middle-aged with an annual income of more than \$100,000. Shoppers are locals and out-of-state parents of nearby university students.

- "I think our draw is good value for the money and people know us. We have been around as a company for a long time now."
- "Our store is well-established. We do very well."
- "Our typical customer is middle-aged and older, and their household income is over \$100,000."
- "We are growing, so I guess another company could too. I don't know anything about Fresh Market. Where is it? I have heard the name before, but I have no idea. Maybe our customers shop a little at Fresh Market, but I have not heard anything about it."
- "I think the current economy can sustain expansion. I don't really know anything about Fresh Market and their customers, but obviously [corporate] has studied it and feels the money we are putting into the [new] store will come back to us in the end. They don't remodel just any store."
- "They are investing in our other store in town. They are expanding the square footage and remodeling the whole store. They are working on the blueprints as we speak."
- "I don't consider Dominick's a competitor. They have their customers, and we have ours."

We are growing, so I guess another company could too.

*Assistant Manager, Jewel-Osco
Chicago Suburb*

Reporter Observations: This store was quite large and clean. No large sales or promotions were taking place. Approximately 15 to 20 customers, half of whom were older than 60, were in the store during our 3 p.m. visit on a Thursday. The staff was very friendly and was stocking shelves and assisting customers. Three registers were open, and one person was staffing the customer service desk.

➤ Publix GreenWise Market manager, Florida

The source said customers are loyal because of the store's service and broad selection of fresh and organic foods. The store has seen growth since it opened four years ago very close to Fresh Market and Whole Foods. She does not expect Fresh Market's expansion to affect her store because Publix is expanding too.

- "My store is doing really well. We have seen growth over the four years we have been open."
- "Our customers like our service. Our staff are all trained to be knowledgeable professionals. We are involved in the community and give back. That goes a long way with customers."
- "I don't think more Fresh Markets would affect us. We have a loyal customer base."
- "A lot more people shop here than at Fresh Market because we are a full grocery store with a more intimate specialty feel. I know people go there, but it's more for a few things, not their everyday stuff."
- "The Fresh Market is somewhat of a competitor. They are right around the corner. Whole Foods is too."
- "I think Fresh Market's expansion will be mixed. There is a lot of competition, and if they are opening in already established markets, they may have to lower prices to compete."
- "Publix is not going to open any more GreenWise Markets. There are only three in the country, and Florida has them all. We are expanding with a [hybrid store](#) that focuses only on organic products."

A lot more people shop here than at Fresh Market because we are a full grocery store with a more intimate specialty feel. I know people go there, but it's more for a few things, not their everyday stuff.

*Manager, Publix GreenWise Market
Florida*

The Fresh Market Inc.

Reporter Observations: This Publix GreenWise Market was a delightful departure from the regular Publix shopping experience. Blueshift noted very nice displays throughout the store. Managers greeted customers at the door, and the staff smiled and was very helpful. The store was busy; it had a bakery, deli, hot bar, salad bar, coffee bar and a great wine section, along with specialty health foods, prepared meals, fresh and organic produce, gluten-free options and regular grocery goods. Also, the store offers curbside pick-up of preordered groceries. Three regular registers and two express checkouts were open. Most shoppers were at least 30 years old and female.

➤ **Manager, Joseph's Classic Market, Florida**

This local specialty market provides a New York-like market shopping experience. It compares to Fresh Market's level of quality and choices but differentiates itself as an Italian market. This store has not experienced any competition from Fresh Market or Whole Foods. The source said Fresh Market's expansion is risky in light of larger chains' efforts to take advantage of the local and fresh trend.

- "We have three locations in South Florida; one has been open for almost seven years and the other two about five."
- "I don't consider Fresh Market a competitor. We offer very different products and shopping experiences. Our stores are like local butcher shops, corner groceries and delis in New York. Our customers are mostly from the North. Customers feel at home shopping here and are surrounded by familiar products and brands they can't find anywhere else but New York."
- "We are always busy. Customers like that we are local and not a chain."
- "We get a lot of word-of-mouth advertising, but we also do fliers and coupons in the paper. I don't see Fresh Market doing that. Whole Foods advertises and is very involved in the communities their stores are in. I think if Fresh Market wants to expand successfully, they will have to do better at marketing and community involvement."
- "A lot of the stores like Publix and Wal-Mart are offering fresh foods and organic options now; I think that may affect Fresh Market's efforts to expand. Also, local farmers' markets are really popular, and that may hurt them a bit."

Reporter Observations: Joseph's was busy on a Friday at 11 a.m. About 15 shoppers were present, and four checkout lanes were open. The meat counter had a line. The store had a homey feel.

Secondary Sources

Four secondary sources discussed The Fresh market's potential expansion to California, a slowdown in grocery store openings in South Carolina, challenges for Trader Joe's larger-format stores, and Amazon getting into the grocery business.

➤ **Aug. 3 Fresh and Easy Buzz blog**

The Fresh Market is looking to California as it continues to push its expansion plans, and could open its first California store as early as mid-2012. The Fresh Market is considering placing stores in Berkeley and Palo Alto in Northern California and in Orange County or San Diego for its initial Southern California location.

<http://freshneasybuzz.blogspot.com/2011/08/fast-growing-specialty-grocer-fresh.html>

- "Fast-growing Greensboro, North Carolina-based specialty food and grocery chain The Fresh Market plans to become California's next new grocer, and is looking to open its first store in the Golden State as early as mid-2012, *Fresh & Easy Buzz* has learned."
- "In February of this year CEO Craig Carlock said in a conference call The Fresh Market is looking west to the Golden State for future expansion, saying then he didn't have any specifics in terms of a time-line for entering California or any other state west of the Rocky Mountains."
- "The publicly-held specialty grocer currently operates 102 stores in 21 states. Those stores are in the South, Mid-Atlantic, Midwest and Northeast regions. The Fresh Market is currently putting a major focus on accelerating its store expansion in the Midwest and Northeast, Carlock said in a presentation at the William Blair Growth Stock Conference on June 14 of this year."
- "Our sources tell us The Fresh Market is searching for numerous store locations in parts of Northern and Southern California that fit the specialty grocer's consumer demographic and lifestyle criteria."

The Fresh Market Inc.

- “That criteria includes: communities where residents tend to have a higher than average income; have attended college; place a higher than average emphasis on food quality and customer service; are less driven by price; put a premium on fresh and healthy foods; and do an above average amount of entertaining at home.”
- “Among the regions The Fresh Market is searching most aggressively for store sites in is the San Francisco Bay Area in Northern California, particularly in cities and neighborhoods that skew high in the variables listed above.”
- “For example, representatives of The Fresh Market were recently in negotiations with the developer of the Edgewood Plaza center in Palo Alto, California to open what likely would have been the North Carolina-based specialty grocer’s first store in California.”
- “However, the developer announced last week that a 19,000 square-foot natural-organic-specialty grocery store called Miki’s Farm Fresh Market will anchor the development instead. As a condition of building the residential housing ... portion of the mixed-use development the City of Palo Alto required the developer to first obtain a grocery store as the retail anchor, which it now has.”
- “Interestingly, [in 2008](#) the developer and Tesco’s Fresh & Easy Neighborhood Market were close to signing a lease, which would have made the grocer the center’s anchor store. But the deal ultimately fell through.”
- “Miki’s Farm Fresh Market will be owned by 40-year-plus Bay Area food retailing veteran Michael Wereness (nickname Miki), who *Fresh & Easy Buzz* is familiar with.”
- “Wereness is the former manager most recently of two super-popular Bay Area [independent] grocery markets, Berkeley Bowl and Monterey Market, which are both located in the East Bay Area city of Berkeley. The Palo Alto store will be his first as an owner-operator.”
- “Palo Alto and Berkeley also have another thing in common: The Fresh Market is interested in finding a store location in the East Bay Area college town just like it is in Palo Alto, which is in the South Bay Area.”
- “The North Carolina based specialty grocery chain is also looking for locations in other Bay Area cities that fit the criteria we described earlier in the story. Some of those key cities include neighborhoods in Danville and Walnut Creek in the East Bay, parts of Marin County and Napa and Sonoma counties, elsewhere in the South Bay Area near Palo Alto, and in higher income cities on the San Francisco Peninsula, like Burlingame, as well as in San Francisco itself, according to our sources.”
- “We’re told The Fresh Market is also looking for store locations in parts of Southern California, that meet the criteria we’ve described, for possible 2012 openings, although our sources say that at present the San Francisco Bay area in the north is the number one priority.”
- “Among the areas in Southern California we’re told The Fresh Market is looking for locations in include the higher income parts of Orange County, the western portion of Los Angeles and in and around San Diego.”
- “The fast-growing specialty grocery chain, which says it will open 12-14 new stores by the end of its 2011 fiscal year, focuses on offering premium products, with an emphasis on fresh foods and perishables, in its stores, which average about 21,000 square-feet.”
- “In June CEO Carlock, who spent a number of years working for consumer products giant Proctor & Gamble, said the chain’s sales of fresh and perishable foods represented 67% of total fiscal year 2010 sales, with the remaining 33% of sales coming from non-perishable or shelf-stable products.”
- “The grocer’s three key category or departmental focuses are fresh produce, fresh meats and deli/prepared foods.”
- “The Fresh Market also puts a strong emphasis on customer service. For example, its meat and deli/prepared foods departments are fully-staffed by butchers and clerks. The meat and deli departments are full-service, featuring unpackaged meats which are wrapped by butchers and deli clerks after the desired items are selected by customers. The meats are cut in-store by the butchers.”
- “The Fresh Market also takes a neighborhood grocer approach. (Sound familiar?) Each of its stores are designed to fit into the neighborhood, particularly the exterior design (see *the photos at top*), and the grocer does a

The Fresh Market is searching for numerous store locations in parts of Northern and Southern California that fit the specialty grocer’s consumer demographic and lifestyle criteria. ... That criteria includes: communities where residents tend to have a higher than average income; have attended college; place a higher than average emphasis on food quality and customer service; are less driven by price; put a premium on fresh and healthy foods; and do an above average amount of entertaining at home.

Fresh and Easy Buzz Blog

considerable amount of product-mix localization on a store-by-store basis. In these two ways The Fresh Market, which was [founded as a single store](#) in Greensboro, North Carolina in 1982, is very much like Austin, Texas-based Whole Foods Market.”

- “In addition to its mega-population and foodie-oriented demographics, part of the reason driving The Fresh Market to the Golden State is simply sheer growth—and the grocer’s strategic plan for much more of it.”
- “Since 2000, for example, The fresh Market has tripled its store-count.”
- “In June CEO Carlock said current plans call for developing The Fresh Market, which went public in November 2010, into a national specialty grocery chain of over 500 stores. This isn’t a new model. In fact, The Fresh Market is following a select-region national growth model that’s nearly identical to those of America’s two most popular specialty grocers, Trader Joe’s and Whole Foods Market. The specific geographical focuses of the three specialty chains are somewhat different but their national growth strategies are nearly identical.”
- “The Golden State is likely to play a major part in The Fresh Market’s long range growth, which its CEO says is forecast to be at least 15% per-annum for the next few years.”
- “The Fresh Market will probably launch its first stores in the Bay Area in the north, followed later by opening stores in Southern California.”

► Oct. 31 *The Post and Courier* article

The market for grocery stores in South Carolina is slowing down.

<http://www.postandcourier.com/news/2011/oct/31/market-for-grocery-stores-slows-down/>

- “Publix cut the ribbon this month in the Cane Bay development, the latest addition in a steady stream of sparkling new supermarkets that have opened in the region over the past 15 years.”
- “It stands out from the rest because it might be the last new grocery store that local shoppers see for some time.”
- “Tighter lending standards and a lack of new rooftops following the housing bubble’s burst are shelving further development of supermarkets, according to grocers and commercial real estate agents.”
- “‘I don’t know of any more grocery stores that are being built,’ said Will Sherrod of Daniel Island-based CORFAC|Anchor Commercial Real Estate, referring to the local market. ‘That’s really a reflection of the lending environment. The funding is not available. Without the rooftop growth, we are not going to see as active of expansion as we have seen in the past.’”
- “Sherrod added that Publix is snooping around the Summerville area for a new store, but Publix spokeswoman Brenda Reid said the 1,038-store, Florida-based chain has no plans on the books for another location in the Charleston area.”
- “‘Overall, in all of our markets, there was a slowdown over the past two and half years,’ Reid said. ‘There was a slowdown because builders could not get funding. Over the past year, we have started to see some of the developers get funding back.’”
- “Publix has just two new stores in the pipeline for South Carolina: one at Indian Land in Lancaster County set to open in late 2012 and another in Hardeeville in Jasper County that won’t open for two years, she said.”
- “To put the slowdown in supermarket growth into perspective, the three counties that make up the Charleston market are home to about 94 groceries stores—including the smaller-scale Save-A-lot, Doscher’s and Red and White. They serve a population of about 664,000, based on the 2010 U.S. census.”

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Fresh and Easy Buzz Blog

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The Post and Courier Article

- “That means the area has an average of about 7,064 residents per store compared with the national average of about 8,600 per store, indicating the market is saturated with grocery outlets for now. That could further hinder any new expansion.”
- “In over-stored Mount Pleasant, which boasts 18 full-service supermarkets, the average is even lower—about 4,400 residents per store.”
- “And the local figures do not include pharmacies and other retailers that have been steadily encroaching onto the supermarket industry’s turf by stocking more food staples on their shelves.”
- “Charleston-based Piggly Wiggly Carolina Corp. hasn’t opened a new store since April 2008, spokesman Chris Ibsen said.”
- “Piggly Wiggly doesn’t project any new stores to add to its 97-store supermarket chain in South Carolina and coastal Georgia, but it will renovate about 15 starting next year, Ibsen said. He declined to say which ones are included in the proposed upgrade.”
- “Mauldin-based Bi-Lo, which has 15 stores in the Charleston metro area, doesn’t plan any new stores in the area either.”
- “Food Lion, which has 21 supermarkets in the metro area, also has no new stores planned for the local market, according to spokeswoman Christy Phillips-Brown. The Salisbury, N.C.-based, 1,300-store subsidiary of Belgium company Delhaize Group opened its last store in the area in 2008 on Ladson Road.”
- “Other major grocers in the metro area include Walmart, which has no announced expansion plans beyond transforming its James Island store into a ‘Supercenter’ that sells groceries along with traditional offerings. Construction is under way.”
- “Niche-market supermarkets such as Whole Foods, Earth Fare and Trader Joe’s, the latter of which joined the shopping cart full of grocery offerings in Mount Pleasant in July, generally have one store in metro areas the size of Charleston.”
- “The chain that has been most active in recent years in the Charleston area is Harris Teeter.”
- “The Matthews, N.C.-based grocery chain opened two stores back to back last year in Mount Pleasant and another before that in West Ashley. But sites around the Lowcountry on Johns Island, near Goose Creek, in North Charleston and outside Summerville that long have heralded ‘Coming Soon signs for the grocer remain undeveloped.”
- “Alex Kelly of Charlotte-based developer Lincoln Harris said it could be at least a year before any movement occurs with either Harris Teeter it is working to build at Carnes Crossroads, just down the road from the newly opened Publix at the Market at Cane Bay, and one at The Ponds development near Summerville.”
- “As for the stores still on the drawing boards, they will have to wait on the housing market to improve, though the latest addition to the market shows there are exceptions, Belk said.”

► Oct. 26 *Los Angeles Times* article

Trader Joe’s is opening larger stores nationwide to keep up with increased demand, but it also aims to maintain its homey environment that led to all its initial success.

http://www.latimes.com/business/la-fi-trader-joes-20111027,0,2287906.story?track=rss&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+MostEmailed+%28L.A.+Times+-+Most+E-mailed+Stories%29

- “In the foothills of La Crescenta, a small Trader Joe’s grocery store has been nestled in a strip mall of tiny shops and laundromats, a neighborhood institution for 43 years—and the second-oldest location for the popular Southern California-based grocery chain.”
- “But taped on its doors are handwritten signs noting the end of its reign: ‘We’re moving!’”
- “When the Foothill Boulevard location closes its doors Thursday, most of its crew will transition to the newest Trader Joe’s in nearby Montrose, a built-from-scratch store that boasts more spacious aisles, higher ceilings and a trim brick-and-glass exterior.”
- “After decades cultivating an image as the cozy neighborhood grocer, the sparkling 14,670-square-foot store, opening Friday, highlights the

After decades cultivating an image as the cozy neighborhood grocer, the sparkling 14,670-square-foot store, opening Friday, highlights the conundrum facing the Monrovia company: how to maintain the eclectic, friendly vibe that has garnered it legions of faithful shoppers, while expanding at a brisk pace.

Los Angeles Times Article

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- “The chain has expanded from more than 20 locations in Southern California in the 1970s to more than 360 shops in far-flung places such as New York, Chicago and Des Moines, Iowa. Its smallest shop, at 5,500 square feet, is in Boston. Last year, the company pulled in an estimated \$8 billion in sales, roughly on par with rival Whole Foods Market, based in Austin, Texas.”
- “‘Their mission is to be a nationwide chain of neighborhood specialty grocery stores,’ said Mark Mallinger, a Pepperdine University business professor who has done research on the company. ‘But there’s a dichotomy there. It’s like being a national chain of mom-and-pop stores.’”
- “The Montrose store will feature a private parking lot with more than 60 spaces, compared with the 40 slots shared by neighbors of the La Crescenta store, which is about 7,000 square feet in size. The extra floor space will enable the store to carry a greater variety of the low-cost, foodie-friendly offerings it is known for, such as cage-free eggs and milk chocolate-covered potato chips.”
- “Industry experts say the Montrose store is a harbinger of where Trader Joe’s is headed as it grows in the coming years and competes head-to-head with upscale grocers such as Whole Foods and Bristol Farms.”
- “The private company has been on an expansion binge in the last three years, opening roughly 40 new stores a year and expanding well beyond its Southern California stronghold, said Burt Flickinger, managing director of retail consulting firm Strategic Resource Group in New York.”
- “But Flickinger, who has followed the chain for decades, said the company is seeking to expand the size of its shops by building new stores and also renting bigger retail spaces in new markets. A 13,000-square-foot Trader Joe’s opened in Hollywood last year. Some stores, such as a location in Silver Lake and another in Eagle Rock, have already expanded.”
- “The average Trader Joe’s store probably will increase from between 10,000 square feet and 15,000 square feet now to 15,000 square feet and bigger, Flickinger predicts. ‘Trader Joe’s can make double or triple the sales volume per week at a bigger store than at a small store, while checkmating competitors,’ he said.”
- “The expansion comes as many retailers are eyeing Trader Joe’s success and experimenting with smaller-format stores that can slide easily into urban areas with lower rents. The Fresh & Easy supermarket chain is planning to open about 50 stores next year, averaging 10,000 square feet, along with a few 3,000-square-foot Express shops, said company spokesman Brendan Wonnacott.”
- “Pepperdine’s Mallinger said the chain must preserve its quirky store vibe to succeed. But the low-cost products and fierce following it already has will carry it a long way during its expansion, he said.”
- “‘People go to Trader Joe’s because it’s fun, the products are unique and the prices are good,’ he said. ‘It has a very Southern California culture, and that culture will translate to other parts of the country.’”

► Oct. 24 GigaOM article

Amazon is entering the grocery market, allowing customers to order nonperishable food items online, complete with free shipping if reasonable spending minimums are reached.

http://gigaom.com/2011/10/24/amazon-quidsi-groceries/?utm_source=social&utm_medium=twitter&utm_campaign=gigaom

- “Remember when Amazon.com was simply an online bookstore? How quaint. The Seattle-based e-commerce giant now has specialized divisions for seemingly everything under the sun: Music, diapers, health and beauty products, pet food, children’s toys.”
- “The company is now putting extra emphasis on a particularly big market segment: Groceries.”
- “Quidsi, the wholly-owned Amazon subsidiary, announced Monday the launch of a new grocery category within its Soap.com website. The grocery category will carry more than 10,000 non-perishable items including coffee and tea, snacks, cereal, pasta, baking ingredients and canned items—a mix of foods ‘equivalent to that of a non-perishable selection of a large supermarket,’ the company says. Brands on the site run the gamut from big-name staples such as Cheerios to [specialties] such as organic and gluten-free labels. As will all Amazon’s Quids sites (Diapers.com, Wag.com, YoYo.com) all orders will arrive within two days, with free shipping for orders over \$39.”
- “Now, Amazon has had grocery items for sale on its site for some time now—so there is a bit of overlap here with Soap.com’s new segment. For example, you can buy a set of three 16.2 ounce boxes (a total of 49 ounces) of Multi-Grain Cheerios from Amazon.com for \$12.02; Soap.com has a set of two 9 ounce boxes of Multi-Grain Cheerios (18 ounces total) on sale for \$9.99. The bonus with Soap.com is ease: It provides free shipping for

The Fresh Market Inc.

orders over \$39 across all Quidsi's sites. The inter-site competition could be an issue—but the bottom line, of course, is that either way Amazon ultimately benefits financially.”

- “The launch of the groceries vertical is just the latest in a series of new sites launched by Quidsi since it was acquired by Amazon nearly one year ago, in November 2010. Before then, Quidsi was best known for Diapers.com, and some people balked at the [\\$500 million in cash](#) that Amazon paid for the company. But it's clear now that diapers was just a jumping off point: Quidsi's back-end architecture can serve as a platform for practically any market, as evidenced by the recent launches of pet products site Wag.com and online toy store YoYo.com.”
- “Grocery represents a massive market—supermarkets in the U.S. make upwards of \$560 billion annually—and grocery shopping is one thing that most people still go to brick-and-mortar stores to do. As Amazon does not need to spend money on lots of real estate or on the same kinds of sales tax as physical stores, it can offer low prices while getting bigger margins for itself. With Quidsi also focusing on the space, groceries could become an even bigger business for Amazon in the long run.”

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GigaOM Article

Next Steps

Blueshift's next report on The Fresh Market will focus on the company's expansion plans, which reportedly include California. We also will determine how 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.

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

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