

Hometown Grocer Rises to Beat the Big Guy

Founded in 1982, Hollister Super Markets operates several full-line, 10,000 sq. ft. grocery stores in the primarily agricultural area of Central California, not far from the coast. Each store averages 13,000 individual SKUs, representing a localized assortment of national-brand and private-label products.

Hollister markets are dedicated to serving their local populations with a mix of high quality produce, a diverse selection of ethnic foods, and a commitment to building relationships with the communities they serve. Primary competitors in each market are Safeway, Save Mart, and Nob Hill, a division of Raley's. Hollister Supermarkets adopted Revionics in December, 2006.

Market Situation and Challenges

Like many independent grocers, Hollister experienced increased competition from national chains in the early 2000s as several big-box competitors moved into their territory. Increased competition forced them to realize that there was significant opportunity to improve their current pricing practices.

"I walked competitor stores and saw that they changed prices every day," said Chang So, co-owner and operator. "I knew that if we wanted to succeed against chain stores, we needed a new strategy and better tools."

"My dad had always done our pricing by hand on paper with a calculator," recalled So. "We had no system in place to make sure our pricing could match how quickly these new competitors changed prices. We just couldn't keep up."

The Solution: Reposition with Price Optimization

So saw an opportunity to better serve the local Latino community – an underserved segment, many of whom are "from scratch" cooks who So believed would value more aggressive every-day low prices (EDLP) and attractive private-label options.

He put his arms around the entire implementation process – from cleaning up item data in his back office system to pushing new price recommendations to his staff on a weekly basis -- to ensure his entire organization took full advantage of the new pricing system.

Their own, self-guided research showed him his big-box competitors had "something up their sleeves" that enabled them to make frequent price changes. "My background is in technology, so I figured there had to be something we could do to get us to that level of pricing sophistication without breaking the bank."

That's when So realized that the Revionics solution he'd recently learned about would be the right tool to support this new market strategy. "Intuitively, their solution made a lot of sense, but in the beginning it was more about trust. You always have to question when you're told by a vendor that you can lower prices on certain items and raise prices on others – and your overall profit will go up."



Windmill Market, a holding of Hollister Super Markets, California.



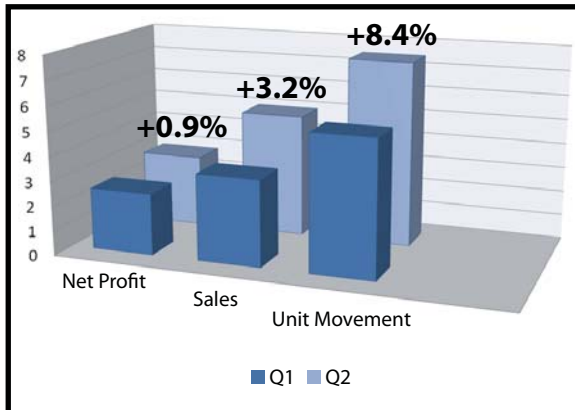
Customers browse the offerings inside the Windmill Market.



Chang So, co-owner and operator of Hollister Super Markets

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Innovations in Pricing Strategy are case studies of retail solutions generated by Revionics' industry-leading price optimization products and services. The success stories presented in this series reflect interviews with retail business owners and management who achieved substantial business improvement and operational value as a result of their engagement with Revionics.



This retailer saw significant lift in sales, unit movement, and net profit.

“With Revionics, we consistently manage gaps against national brands, so we can promote how much customers will save by going with private labels. We make a higher margin, the customer pays less, and everybody wins.”

- Chang So, Hollister Supermarkets

Results

Hollister is now prepared to take on powerful competitors. “Initially, I wasn’t very trusting, but Revionics systems and pricing specialists played an important part of the increase in volume, revenue, and profit we saw in just a couple of months.”

1. Increased Revenue and Profit

While margins dipped slightly based on So’s competitive pricing strategy, revenue and profit increased. “With Revionics,” So said, “I can now choose how many individual prices to change each week – the most highly sensitive ones that move the most -- instead of just changing every price in the store.” Hollister Super Markets now more aggressively manages their fast-moving, private label items against their national label brands to show the customer a better value price gap. “The difference goes directly to my bottom line and the customer doesn’t feel like they’re getting price-gouged.”

2. Time Savings

Revionics makes Hollister Super Markets a more efficient organization, allowing So to attend to other important tasks. “I spend 30 minutes on the [Revionics] website and get my TPRs -- that used to take me 6 hours. All the information I need to price any item in any category is right there on my web screen. Now I can spend my time on other things I couldn’t get to before like inventory re-categorization and data integrity.”

3. Strategic Business Support

Revionics has now become a partner to Hollister’s business. “I feel like I have the same kinds of resources as the competition, like I have a team now that includes people who ensure I have prices that are as good as they can be – and I’m paying a lot less money than if I brought people in to work inside the company. The Revionics team of pricing experts are from the grocery industry; they give us a pricing ‘sanity check’. I can bounce ideas off my pricing strategist, who sometimes makes me re-think ideas. I’m sure that’s made my outcomes better.”

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