

Positively Safeway

For nineteen years, Diane Dietz was all smiles, but now she's all aisles.

A little over a year ago, having refreshed the Crest brand and revived Procter & Gamble's oral-care business, Diane joined Safeway with an eye toward reinvention of the grocery business.

It was an auspicious move, given Safeway's long history of innovation. Back in the 1930s, Safeway pioneered selling produce by the pound, the use of expiration dates and nutritional labels. It actually was one of the first supermarkets to have its own parking lots.

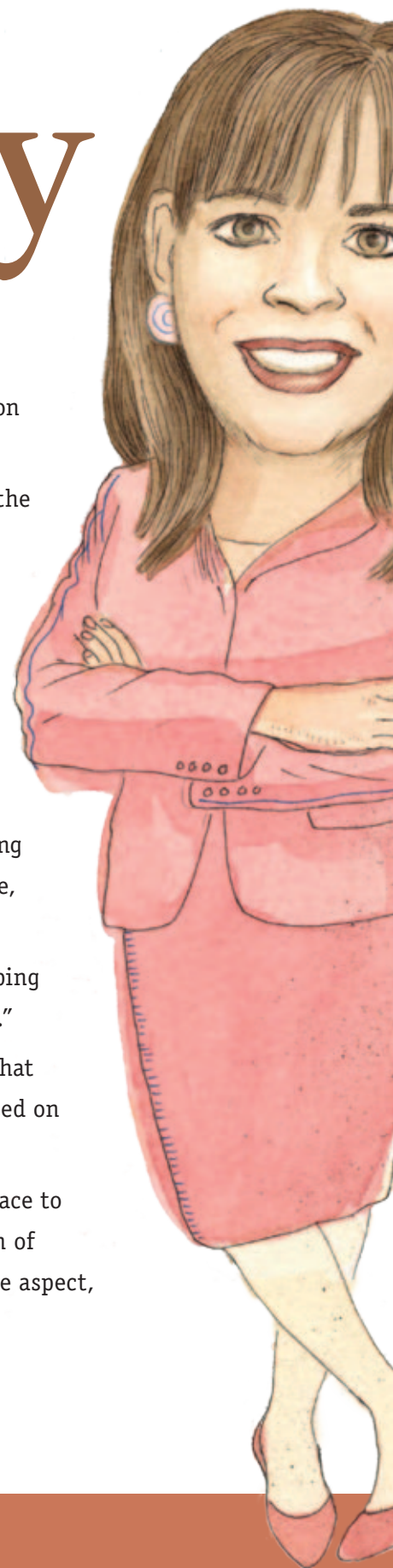
More recently, in 2003, Safeway embarked on a multi-billion dollar overhaul of its shopping experience with the launch of its now-famous *Lifestyle* stores. The lights became softer, the colors warmer, the feeling friendlier and the message crystal-clear: Shopping at Safeway is about living a healthier and happier life.

As far as Diane is concerned, it's all very simple: "It really goes back to understanding what your shoppers are looking for," she says. "We can be as efficient as possible, but that's not what that shopper wants."

What the shopper wants, says Diane, are "simple meal ingredients, a great shopping environment, great service, excellent quality products and innovative solutions."

All of that, and an emotional connection, too: "We're in the food business and that involves family, friends, holidays and special times," she explains. "So, we're focused on how to make grocery shopping an inspirational part of daily life."

For Diane, who majored in economics and marketing, retail seems the perfect place to discover what's next. As she points out, "Marketing and retail are a combination of analytics and creative, using both the left and right brain. You have the creative aspect, but then you also have so much data to support your decision-making."



Safeway chief marketing officer **Diane Dietz** gets inspiration from innovation.

What is the most innovative thing happening right now at Safeway?

There are so many different innovative things, but I'll take one innovation that came out in the last year or so: *Bright Green*. That's a line of products that goes across multiple categories and is much better for the environment. But we have such a wide array of consumer targets we try to please that there are many innovative things happening.

Is there a typical Safeway shopper?

There is not one typical shopper; it varies quite a bit by store. We definitely have profiles based on the store and we do a lot of research in this area, but there's really not one Safeway shopper.

What's the best way to get at shopper insights?

What I prefer to do is be in the store asking shoppers questions, shopping along with them and gaining insight straight from them. They'll tell you how they feel and whether it's good or bad.

How directly should shoppers be involved in the innovation process?

Very, very, very involved. From an experience standpoint, I can only walk in the shoes of Diane. So, it's very hard for me to know what it's like to be walking down the aisle and having two kids pulling at me to go down different aisles. But I'll find this out soon since I'm expecting my first child!

Congratulations!

Thank you! But I have to try to walk in the shoes of that consumer to understand how to make the experience better for her. The only way to do that is to stay close every step of the way with the shopper and the consumer.

What do you love most about grocery shopping?

I just like to see all the different new items that we have in our stores. I like to cook, so I always find

the creative aspects of being in the store and putting things together and experimenting to be fun.

There are all so many great departments in our store—from the bakery to the deli to our meal solutions. So, every time I shop, there are new things that I'm excited to bring home.

Is there anything you hate about grocery shopping?

It's not a problem at Safeway, but the only thing I don't like is if I can't find what I want. Any shopper will tell you that if they make a special trip and you don't have what they want—that's not good.

You can be a really innovative company, but it's the simple things that make the biggest difference. If the shelves aren't stocked, or you don't have the right product—or someone in the chain-of-command decided to eliminate something that's very important to our shoppers—that's a problem.

How would you like shoppers to feel while they're shopping at Safeway?

There are two words that come to mind when I think about what we want consumers to feel when they're in our stores: one is "understood" and the other is "smart."

If you understand your consumers, you understand what's happening in their lives and what they need. The "smart" aspect is that we really focus on high-quality products, world-class innovation and a great shopping experience.

What roles do Safeway's store brands play in that?

Private label has changed dramatically. Safeway's private labels are not just about low-cost versions of national brands. They go to things that we think are most important.

For example, our *O Organics* brand is about health, wellness and high quality. And that's not a low-cost version of a national brand. It was created before I was here, but *O Organics* is a truly inspiring private-label business.

In light of that, are national brands as relevant as they used to be?

Yes, because there's a role for both. National brands are very relevant. But the days of launching new products that don't work and that retailers take the time to put on our shelves and market — are gone. Packaged-goods companies have to be very cognizant of their mix of brands, their pricing and staying relevant to the consumer.

What is your best advice for a packaged-goods marketer today?

It's in a few areas. One — and this comes from 19 years at Procter & Gamble and a Safeway culture that reinforces it — the consumer and the shopper usually have the answer. So, the packaged-goods companies I'm most impressed with have a very deep knowledge and understanding of their shoppers.

So, when those packaged-goods companies present innovations, we're excited because we know they have that depth of knowledge and we know that it's a consumer-based idea. Many innovations fail because you're not close enough to what the consumer really wants. It might be science-based innovation, but it is not consumer-based innovation.

The second thing is, we look to our packaged-goods vendors as partners. And the companies where we have the best relationship are those that are truly trying to do what's best for us. When they are truly approaching it from the standpoint that we're in this together, with common objectives and measures, that's a great scenario.

What gets in the way of that?

When it comes to product innovation, one problem is that retail might be the last thing that packaged-goods companies consider. There is still much more focus on the 30-second TV commercial, on the naming of the product and product design.

But often there's not a ton of time or energy spent on the in-store marketing, and the ability of that package at the retail shelf to sell itself without a 30-second ad.

Retail must not be the last element of the marketing plan; it's got to be a critical element of the marketing plan. So, marketing, sales and R&D folks at the packaged-goods companies need to understand retail.

They need to understand the difference between the channels and each different retail banner, because

we each have a different target consumer and need different things.

Is "shopper marketing" here to stay?

I think it is very real and it is here to stay. I've read statistics that say that shopper-marketing spending has increased faster than internet advertising spending. It makes sense to me that this should be a huge focus for retailers and packaged-goods companies because the old model of "big TV" is changing.

We know that many purchase decisions are made right at the store shelf. The best packaged-goods companies and retailers will figure out how to market messaging and educate consumers on products. That's a huge area of focus for us.

How do things look different from the retailer's side?

When I was at Procter & Gamble, I worked a mile deep in a few categories; my focus was on the mouth and the smile. I was definitely a mile deep on our innovation, manufacturing and product design. It was all around our promise of healthy, beautiful smiles for life. So, I was always looking at how to get to that perfect smile for our consumers.

At Safeway, I'm working across many, many different categories. I might be in a meeting today on wine and there might be a discussion in two hours about pharmacy. So, I've had to learn a lot more about a lot of different categories — many categories that I didn't work in before.

I now also have the ability to get with our consumers or shoppers at any time. My ability to be very close to our shoppers is a great part of the retail experience because when you ask shoppers in the store what they like and don't like, you're going to hear about it. I find that to be very refreshing.

We also have the ability to test and learn very quickly. When you're working on the packaged-goods side, you often have very long-term horizons to make new products and test things. But at Safeway, you can have an idea in the morning and test it in the store that afternoon. The ability to get real-time data is also very refreshing.

How is technology changing the shopping experience?

In two areas: information and speed. Technology changes the ability for shoppers to have a lot more

Healthy Measures

At Safeway, we are building a culture of health and fitness, writes Safeway's chief executive, Steve Burd, in the *Wall Street Journal* (6/12/09). In 2005, he explains, Safeway introduced its own version of health-care reform that capitalized on "two key insights."

One insight "is that 70 percent of all health-care costs are the direct result of behavior." The other "is that 74 percent of all costs are confined to four chronic conditions (cardiovascular disease, cancer, diabetes and obesity)."

The thing is that "80 percent of cardiovascular disease and diabetes is preventable, 60 percent of cancers are preventable and more than 90 percent of obesity is preventable."

So, Safeway's "Healthy Measures" insurance program for its employees simply offers financial incentives

for healthier living: Employees are tested for "tobacco use, healthy weight, blood pressure and cholesterol levels."

Those who pass all four tests earn a "\$780 discount on their insurance premiums for individuals and \$1,560 for families." The program is voluntary, but over the past four years, it has held Safeway's health-care costs flat, "while most American companies' costs have increased 38 percent."

Even more important, Safeway's "obesity and smoking rates are roughly 70 percent of the national average."

Steve concludes: "By our calculation, if the nation had adopted our approach in 2005, the nation's direct health-care bill would be \$550 billion less than it is today... The implication is that we can achieve health-care reform with universal coverage and declining per capita health-care costs."

information on products and pricing. The speed at which people can make decisions has changed quite a bit as well because you can get so much information at your fingertips.

There are a lot of different technologies today at the shelf level, and on the carts. What you have to figure out is which ultimately enhances the consumer experience without being invasive.

Technology has also changed the shopping experience for us because we have a lot more information on our shoppers. We measure almost every aspect of the shopping experience and get metrics that help us to understand what consumers like and what they don't like.

The ultimate goal is to improve that shopping experience. You have to do that in a non-invasive way that helps give the retailer data and information, but also does not bother the shopper.

Can anything be done to improve the checkout experience?

The checkout is a critical part of the process because that's your last interaction with your shopper. We love it when our checkout person knows the name

of the shopper, talks to them about their shopping experience, or asks if they need help getting their groceries out to the car.

It's those simple things that wrap up a shopping experience on a very positive note. We also track a lot of metrics just to make sure that we are delivering against things like line lengths and wait times to keep it a positive experience.

How do you ensure great customer service?

Our employees pride themselves on going above and beyond when it comes to customer service. We coined the term "legendary service" to create a legendary experience.

That includes providing information and help in the store, as well as help out of the store. We look at every aspect of the shopping experience and try to make it ideal for our shoppers.

Where do Twitter and Facebook fit in?

They have the potential to be very, very powerful as shoppers are more informed. For us, the positive thing is that the more Safeway fans and loyalists we create, the greater the opportunity to build our brand message.

With social media, the things you do well will get out there and the things you don't do well get out there too. So, it's a call-to-action for our employees to raise our game continually, and constantly be looking for ways to improve our experience.

What are the greatest opportunities for innovation in the store format?

Safeway's *Lifestyle* store definitely took a huge step in that direction. It's thinking about the whole store experience, not just parts of the store, but that holistic store experience.

Shop-a-longs with consumers have told me that it's confusing to shop categories. It's hard to find what they want, and hard to find new items. That hasn't changed in years.

You look at a picture of a retail shelf in the 1950s and you look today and it's still more about stocking shelves versus selling benefits. Innovation today is about making shoppers aware of healthy choices and fresh alternatives.

Safeway is all about health, wellness and food quality. My boss, Steve Burd, with his focus on healthcare and the linkage of behavior to healthcare, is one of the most innovative thinkers in healthcare today. Safeway is one of the only companies that has actually flat-lined or reduced healthcare costs. We did it by looking at the linkage between behavior and outcomes (*see sidebar*).

Does that philosophy translate to your shoppers as well?

We're looking at a lot of different ways that we can do this through education and inspiration with our product assortment and information in the store. Some of it is not yet out, but we do romance our perishables and focus on healthy options and offerings. If you walk a Safeway store, you'll notice that our cantaloupes, grapes and apples are lit like a jewelry case.

How do you see the shopping experience evolving?

Well, obviously, social media and technology will play a huge role in terms of the information that's available to the shopper. Technology can make things a lot easier and more convenient for shoppers, too. None of us has enough time today.

We're all working harder, we're all time-constrained and the more complexities that are added to our

lives, the more time-constrained we are. The big opportunity is to take technology and make time more efficient for the shopper and the consumer.

Which other retailers are leading the way?

I really admire the way Disney has inspired its employees to focus on the guest to create excitement from the minute you enter the park to the experience you have in their hotels. It truly is magical.

Nordstrom has always created a great experience due to their service. They provide service without making shoppers feel pressured, and that's very positive. I also find the Apple stores to be highly innovative and very focused on making the experience very simple.

Have you applied any of those innovations at Safeway?

We look at a lot of different retailers to benchmark whether we can improve our experience. Disney truly creates a legendary experience. Every person on the Disney team feels they are there to create a fun environment for every child and family that walks through its doors.

So, we can take that simple philosophy and apply it to create a legendary experience for every shopper who walks in our door. We definitely look at aspects of service, experience and innovation from companies like Disney, Nordstrom and Apple.

What keeps you up at night... other than expecting a baby?

Well, we'd need another hour to talk about that! Ultimately, the most important thing for me is to stay in touch with our consumer and our shopper and stay close to what they're going through in these times. That also means staying close to our employees.

It is a tough economic time. People are working harder than ever and it's tough for our shoppers. So, staying close, staying in touch—that's the biggest challenge to me—and that's true in both bad times and good. ■



DIANE DIETZ is evp and chief marketing officer of **Safeway Inc.**, the nation's third-largest supermarket chain. Previously, she spent 19 years at Procter & Gamble, where she led the turnaround of the oral-care business and earned a reputation as a motivator and innovator.