INNOVATIVE MODELS: SMALL GROWER AND RETAILER COLLABORATIONS

PART B - BALLS FOOD STORES’ PERSPECTIVE
HOW IT BEGAN

In the winter of 2004, Diana Endicott, a farmer and pioneer in the natural food movement, organized a luncheon to showcase the success of Good Natured Family Farms (GNFF), an innovative program supporting local farmers’ efforts to sell their produce in grocery stores.

GNFF had become an umbrella brand for naturally grown food sourced from farms within a 200-mile radius of Kansas City and sold exclusively at Hen House Markets and Price Choppers, two supermarket chains owned and operated by Balls Food Stores. When Diana discovered that the total sum of wholesale sales of GNFF-labeled products to BFS had hit $2 million in 2004, she decided to throw a celebratory lunch for BFS managers, guests, and others involved in the program. The purpose was to take stock of their joint success and to generate additional support.

The managers and guests talked about creating a farmers’ market within the supermarket chain: a place where shoppers could enjoy natural, locally grown foods year-round. They talked about how shoppers valued knowing how and where their food was grown. They also mentioned that shoppers were willing to pay a premium for this kind of food. “I had no idea this had grown to such a high level. It just made business sense to continue to develop this niche market,” said David.

That luncheon signaled that the time was right for the grocery chain to make a more formal commitment to local farmers and to sell locally grown food throughout its chain. Under David Ball’s leadership, BFS has since become one of the few retailers with a stated commitment to working with local farmers. As its partnership with local farmers has grown, BFS has become a national model for how supermarkets can support local farming by creating a year-round farmers’ market within their stores.

BALLS FOOD STORES: A COMMITMENT TO COMMUNITY FROM THE START

Sydney and Molly Ball founded Balls Food Stores (BFS) in 1923 and opened their first Hen House Market in 1989. Today, BFS operates 29 grocery stores in Kansas and Missouri under the Hen House Market and Price Chopper banners. The company remains family-owned: the founders’ son, Fred Ball, serves as chairman, and his son, David, runs day-to-day operations as president and chief operating officer.

From the start, BFS had a close connection with the community it served. In the early days, shoppers paid monthly for their groceries and knew Sydney and Molly personally. They also knew where their food came from because the Balls frequently bought food from local farms and farmers’ markets to resell in their store. This close connection with the community created a high level of trust, and the grocery store name came to represent locally sourced, high-quality food.

Today, the company’s philosophy is to provide its customers with courteous service, quality products, value pricing and clean and well-organized stores. This philosophy is governed by honesty, fairness, truth in advertising, freshness of perishables, guaranteed satisfaction and competitive pricing. “Our tagline is ‘Making Grocery Shopping a Pleasure, not a Chore’,” says David Ball. David assigned Matt Jonas, BFS’ vice president of sales and marketing, and Bill Esch, BFS’ executive director of advertising, to work with GNFF and lead BFS’ team in the company’s local food sales effort.

The technological transformation of agriculture and the extensive developments in transportation during the latter half of the 20th century impacted the trajectory of the entire grocery industry. Synthetic fertilizers, pesticides and vaccines, along with mechanization and breeding programs, enabled farmers to grow more food, more quickly and with less disease. Improved transportation and shipping networks meant that food supplies could be sourced from around the world. This, in turn, enabled supermarkets like BFS to provide many food items year-round and often at cheaper prices. BFS’ operations evolved into a mainstream supermarket model and they began to source products from farther away.

However, the negative effects of industrial agriculture have become apparent over the past two decades. These include increased health risks from synthetic pesticides, growth hormones and overuse of antibiotics, and from the consumption of highly processed foods. They also include damage to the environment such as water and soil contamination and the depletion of aquifers, as well as an exponential loss of family farms and rural communities.
Over the last thirty years, environmental concerns and natural food awareness began to have an effect on consumer behavior. The organic food movement of the 1980s grew out of a growing concern among scientists, environmentalists, farmers and, perhaps most importantly, consumers, about the negative impact of modern conventional farming.

Consumers began to seek out organically grown food, which is often grown by small scale, family-run farms and sold through non-mainstream channels such as farmers’ markets, food cooperatives and natural food stores. As the organic food market grew, supermarkets jumped in, and by 2002, organic food was available in 73 percent of conventional supermarkets.

But the rise in awareness of global warming made consumers realize that buying food produced and shipped from thousands of miles away, even if it was organic, was not necessarily a sound choice. A number of other factors, including a preference for fresher taste, prompted a powerful trend toward local food, and some supermarkets began to rethink their way of doing business. For BFS, this trend was a return to its roots and its history of sourcing from the family farms around it.

SEIZING THE OPPORTUNITY TO RETURN TO ITS ROOTS

Balls Food Stores’ efforts to return to its roots of selling locally grown food as a supplement to its conventional food business began informally in 1994, when Diana Endicott of Good Natured Family Farms (GNFF) approached Lou Malaponti, BFS’ director of produce operations, about selling her surplus of locally-grown hot house tomatoes. After a tasting, the forward thinking produce director agreed to buy the tomatoes. This initial transaction was the seed that grew into what today is an expanding partnership between BFS and the GNFF alliance of local farmers.

The sale of GNFF hot house tomatoes paved the way for other products within the Balls’ chain. Diana also raised cattle on her ranch with her husband’s help. They wanted to sell cattle directly to local grocery stores to get better pricing. Diana approached Jon Wissmann, BFS’ director of meat operations, and offered him their hormone- and antibiotic-free beef.

As luck would have it, BFS’ meat department was looking for a branded beef product to sell in its 13 Hen House Markets and a deal was struck. Health-conscious consumers embraced the naturally raised beef and demand soon outstripped supply. Diana then partnered with other local ranchers to create the All-Natural Beef Cooperative and began selling the cooperative’s beef products under the Good Natured Family Farms brand.

“Family farms producing farmhouse cheese, raising local honey, bottling milk, and even making organic tofu started calling and asking how they could join the Good Natured Family Farms Alliance and sell to BFS,” said Diana. Until 2004 and that pivotal luncheon, Diana worked with each department director independently, a time consuming process, because the relationships had to be built one at a time. David Ball was eager to address this inefficiency. Rather than return to business as usual, he took charge by issuing a company-wide mandate to increase sales of locally grown foods. From David Balls’ top-level commitment came a number of innovations in how bigger buyers can work with smaller farmers for mutual benefit.

KEY INNOVATION: COMMITMENT FROM THE TOP AND DESIGNATING A CHAMPION

A commitment to local farmers and sourcing food locally starts at the top of the organization. “Having local foods in our stores matches our values and philosophy,” explains David Ball. “It represents us as a locally owned company, it fulfills customers’ demand for local foods and it benefits the local economy.” Carrying out that commitment, however, requires a coordinated team effort across all departments.

David’s commitment to the locally grown program signaled that Balls Food Stores did not view local food as a passing trend, but as a growing and critical part of their overall business. “The local product allows us a special niche in our market,” explains Matt Jonas, BFS’ vice president of sales and marketing. “It is one that most, if not all, of our competitors cannot, or are not, willing to fill. It also attracts customers to our stores because it is special, and they can find this product in very few establishments in town.”
Matt led the coordinated effort of the BFS team and furthered the collaborative partnership with GNFF. This enabled the organization to take a consistent approach by making a lasting commitment and dedicating sufficient resources to building its local food business. And the results are clear. “From 2004, sales of locally grown foods have increased 20 to 35% a year,” says Matt. “We’re committed to growing this part of our business, so we need to make sure we have revenue goals for local products, strong working relationships with the GNFF alliance and strong marketing programs to entice and educate shoppers.”

**KEY INNOVATION: DEVELOPING STRONG RELATIONSHIPS WITH SUPPLIERS**

Balls Food Stores has redefined the supplier-buyer relationship as its local food business has evolved. Conventional supplier relationships in the food industry tend to be price driven, transactional and facilitated by food brokers. By contrast, BFS’ relationships with the GNFF alliance farms, which are small-scale and family-owned, are designed to be more long-term, partnership-oriented and focused on win-win outcomes.

For example, Lou Malaponti, BFS’ produce director and Del Housworth, BFS’ local buyer, work with GNFF alliance fruit and vegetable growers to determine what products and varieties to grow. Today, the GNFF alliance has over 100 family farms; in addition, BFS has about another 25 local growers. All growers or producers selling to BFS must meet a 200-mile rule that BFS and GNFF established to designate product as “local”. Once again, demonstrating forward thinking market strategies, Lou Malaponti led the initiative to triple the sales of GNFF locally grown produce for the 2009 season. “Buying local is very important to our customers and we need to continue to keep the local message fresh; we continuously work with our growers to increase supply, bring in new and unique items, and last season I worked with GNFF and started a locally grown fresh cut flower program” says Lou.

To meet this challenge, Lou and Del work with GNFF growers to establish crops where the grocery chain has voids. For example, if shoppers increasingly ask for okra, BFS identifies it as a market demand and works with growers to meet it. Del will ask these farmers to plant a small amount and test their ability to become okra producers. In the process, the grocery chain assesses the farmers’ ability to grow okra that meets their quality standards for taste and appearance, in the required amount and in a timely fashion. If this test is successful, then participating farmers can become steady okra suppliers to BFS.

“In a sense,” Diana says, “BFS plays a research and development role in helping GNFF farmers diversify what they grow based on what shoppers want to buy and on what can be farmed locally.” “We are unique in that we have a big market basket of local foods that allows us to promote buying local year-round,” explains Matt.

Locally raised and processed meats have played a major role in keeping the ‘Buy Local’ message alive year-round. Equally important, Diana explains that meat sales are what drive the economic sustainability of the GNFF alliance. Jon Wissmann, BFS’ director of meat operations, has made BFS a leader in local meat sales across the country. “We carry a full line,” says Jon, “from all-natural beef, free range chicken, pastured pork, bison, to a full line of value-added products. “We bring variety and quality in local meats to our customers and our sales continue to reflect our customers’ growing appetites for wanting to know where and how their meat is produced,” he expains.

Another unique aspect of BFS’ partnership with the GNFF alliance is the role it plays in helping farmers to remain financially viable. For example, the grocery chain works with farmers on negotiating price. According to Jon, “pricing is based on a process of continuous communication between GNFF alliance farmers and BFS buyers.” This prevents farmers from being squeezed financially while enabling BFS to stay profitable — another win-win outcome. In addition, BFS provides financial support to farmers on occasion. It has also expedited payments by paying within fourteen days instead of the traditional 30 days.

Lastly, BFS plays a critical role in how locally grown food goes from farm to store shelves. It works with the GNFF alliance to make the distribution of locally grown food more efficient and cost effective. Distribution challenges will be discussed later, but it should be noted here that this is also an important aspect of the relationship between BFS and local farmers.
**KEY INNOVATION: HAVING THIRD PARTY SUPPORT FOR SELLING LOCALLY GROWN FOOD**

In 2004, Hen House Markets received an Environmental Excellence Award from Bridging the Gap (BTG), a Kansas City nonprofit organization whose mission is to build the sustainability of the Kansas City area by connecting the environment, economy and community. This award is given annually to a local business that excels in environmental practices. This recognition added credibility to Balls Food Stores’ efforts to support local farmers – it was able to use the award as a tool in its early marketing efforts.

The award also became the starting point for a collaborative effort between BFS, GNFF, and BTG to launch the Buy Fresh Buy Local (BFBL) campaign. Buy Fresh Buy Local is a national campaign initiated by the FoodRoutes Network, a national nonprofit organization that provides technical support to community-based groups working to strengthen regional markets for locally grown foods. This campaign focuses on connecting consumers to locally grown food through outreach education, events, festivals, and farmers’ markets. From 2003 to early 2008, Otavio Silva organized and administered the Buy Fresh Buy Local program in Kansas City at BTG.

Diana heard of the Buy Fresh Buy Local campaign through Dr. Mary Hendrickson, University of Missouri extension and director of the Kellogg Food Circle Networking project. Diana approached BTG and BFS with the idea of initiating a Buy Fresh Buy Local campaign for the Hen House Market stores. Diana worked with Bill Esch, BFS’ executive director of marketing, and Otavio Silva of BTG; after lengthy discussions with the Buy Fresh Buy Local national office, BFS was accepted as the first supermarket chain in the United States to participate as a partner in the campaign. “Our participation lends credibility to the overall program and signals to our customers and competitors that we’re fully committed to supporting local farming,” says Bill.

Otavio was also responsible for overseeing local farmers who wanted to market their products under the Buy Fresh Buy Local marketing campaign with BFS. Nowadays, Otavio, formerly with Bridging the Gap and currently the KC BFBL administrator, continues to be the third party consultant who oversees site visits and interviews with local farmers. “If farmers do not pass the requirements, then their products do not get sold under the BFBL program,” says Otavio. BFBL provides a third party “seal of approval” that food marked as “locally grown” within BFS’ stores is, indeed, grown locally. This enhances BFS’ reputation among its shoppers as being authentic, customer-focused and quality-driven – and it further differentiates the supermarket chain from the competition.

**KEY INNOVATION: PROMOTING LOCALLY GROWN FOOD TO INCREASE OVERALL SALES**

Before joining the Buy Fresh Buy Local campaign, Balls Food Stores had few ways to promote locally grown food within its stores. Store teams created signs and labels but the Buy Fresh Buy Local umbrella enabled them to develop a more comprehensive marketing program to educate shoppers about locally grown food.

For example, BFS created new signs used throughout its Hen House stores. Large hanging ceiling signs clearly let shoppers know that BFS emphasizes the sale of local food. The BFBL signs name Good Natured Family Farms, Hen House Markets and the name of the local farmer – all under the Buy Fresh Buy Local uniform slogan. Moreover, pictures on the signs are of actual farmers who supply BFS. The signs point out that products sold under this campaign are “thousands of miles fresher.” Today, BFS has about 30 of these signs in each Hen House Market. The consistent messaging across stores reinforces BFS’ locally grown message and solidifies its positive image in shoppers’ minds.

Uniform signage was critical in educating customers, but not necessarily enough to get them to buy locally grown food. The BFS marketing team used proven promotion tactics to address this issue. “We continually promote our locally grown foods at checkout and in our circulars,” says Matt Jonas. The Buy Fresh Buy Local campaign and special promotions (such as “buy one, get one free,” etc.) are featured prominently on the front pages of in-store circulars, which a majority of customers read. At check out, Buy Fresh Buy Local signage appears on the computer screen to further raise awareness. Also, each locally grown item is identified as such on receipts. Lastly, BFS uses the bottom portion of receipts to advertise specific programs and promotions related to local food.

In-store promotions targeting shoppers proved effective, but what about Kansans who did not shop at BFS supermarkets? How would BFS capture this group’s attention and bring them into its stores? David Ball decided to invest in local advertising. BFS places weekly four to six-page ad flyers in the Kansas City Star newspaper distributed to 400,000 homes in the metropolitan area. For example, these flyers advertise “Meet the Growers” events held on Saturdays from July
to September. These events consist of a sampling table of locally grown products, a “meat road show” and two to six farmers at the store helping to sell their products and doing a meet-and-greet with shoppers. Helping educate the customers on how to cook with local foods, BFBL Chef Mark Mollentine teamed up with GNFF to create recipes and sample locally grown foods during the store events. In 2008, Chef Mark partnered with GNFF and launched a gourmet line of Good Natured Local Artesian finishing sauces, taking BFS’ local foods program to the next level.

Growers’ events are also promoted on Fox 101 FM, one of Kansas City’s major FM radio stations. There is a live radio remote at each event, and BFS serves a lunch for $1.01, which buys shoppers a Good Natured Family Farms all natural antibiotic-free hot dog, drink and a bag of chips. The station advertises the $1.01 lunch using its on-site live radio remote, providing great exposure for BFS.

In 2006, David Ball, decided to step up the Buy Fresh Buy Local message, and launched a series of TV commercials where he featured local family farms and the locally grown foods available at BFS. As David states in the BFBL commercial, “Shop Hen House Markets, where you will find a farmers market seven days a week.”

BFS advertises regularly in Tastebud, a free, local food-oriented publication distributed throughout the Kansas City metro area. BFS typically contracts for the entire last page of the magazine and uses this vehicle to promote its local food efforts and showcase local farmers.

BFS also hosts a weekly live talk show by Chef Jasper Mirabile, owner of the famous Jaspers restaurant in Kansas City and founder of the local Slow Food movement. A passionate advocate of locally grown foods, Chef Mirabile frequently hosts the one-hour show at a Hen House store location.

Another idea pioneered by Diana, GNFF, and BFS is a supermarket-based Community Supported Agriculture (CSA) program. Currently, there are CSAs at all twelve Hen House Market locations, where customers commit to purchasing a bag of locally grown food each week for 21 weeks.

Key messages remain constant across marketing programs and outlets: “Our marketing message stresses four benefits of buying local: shoppers get exceptional taste and freshness; they support the local economy; they help family farms remain viable; and they help protect the environment,” says David Ball.

BFS’ marketing efforts have had a significant effect on sales. Local food sales grew 35 percent from 2004 to 2005 and that figure became the base line and annual growth target. In 2006, the company and local farmers exceeded this goal when they experienced an almost 42 percent increase in locally grown food sales. This represented $7 million dollars in sales across all stores.

“If we start with the sales results in 2003 of $2.5 million, the Buy Fresh Buy Local campaign tripled our sales of locally grown foods by 2006,” says Matt. BFS met the 35 percent sales growth target in 2007, as well: almost $9.5 million in local food sales. Although this represents a small percentage of BFS’ system-wide overall sales, it means that there remains tremendous room for growth.

A critical — perhaps even unintended — outcome of BFS’ efforts to promote locally grown food throughout its stores has been an increase in overall sales, including conventional food and non-food items. In other words, shoppers go to BFS stores to buy locally grown food and in the process end up spending more overall. Matt puts it best when he says, “The program has helped us increase sales storewide, and that probably is the greatest value it brings to our stores.”

**KEY INNOVATION: MAKING OPERATIONAL CHANGES TO SUPPORT LOCAL FOOD SALES**

To grow its local food business, Balls Food Stores had to make important changes in key areas including distribution, merchandising and training. Collecting food from local farms and distributing it to BFS supermarkets was more challenging than conventional food distribution. Conventional food is brought to BFS’ 55,000 square-foot central warehouse by trucking companies specializing in food transportation. There it is unloaded, inventoried, repacked, reloaded and sent back out on BFS-owned trucks to individual stores. These are large, coordinated shipments that follow set daily or weekly schedules.
Early on, BFS realized that working with small farmers fell outside of this framework; with small farmers, getting product from each farm to each store was a difficult and costly task. So, how would the food get from each local farm to each store? Who would be responsible for transportation, and who would pay for it? How would this be done in a coordinated way?

David Ball solved this problem by using their 55,000-square foot central warehouse to play a critical role in the distribution of locally grown food. BFS' central warehouse's mission is to source and distribute superior product in a productive and low cost manner by focusing on variety, quality and quantity. “Using the central warehouse for locally grown food made sense, but we had to make some adjustments,” says Matt.

BFS changed its distribution policies to enable locally grown food to be brought to its central warehouse. Farmers working through Good Natured Family Farms either bring their products to the warehouse individually or band together to transport food to the warehouse share the costs. In some cases, BFS sends out its own trucks to local farms for pickup and delivery to the central warehouse. Regardless of how the food gets there, once at the warehouse, the food is kept separate from non-locally grown food, although it is loaded on the same trucks as conventional food items when its ready to be sent out to individual stores.

The central warehouse also has systems in place to facilitate local food distribution using a “Home Grown” designation (a campaign similar to Buy Fresh Buy Local, but limited to Price Chopper stores) to distinguish between local and conventional food, said Del Housworth, BFS’ central warehouse local buyer. For example, it maintains a Home Grown Projected Timeline for when local crops become available and in what quantities. It also creates Home Grown Specification Forms for products that specify attributes such as grade, size, packed/unpacked, purchase order number, temperature, pressure, taste, color, condition, weight and count. These specifications are designed to ensure product quality and uniformity for locally grown food brought to the central warehouse because this can be an issue with small scale farming.

Another issue BFS faced was what to do about locally grown food once it got to the stores. Each department director worked with store managers to designate space in each department for locally grown food. The goal was to give prominent shelf and floor space to locally grown food, in many cases side by side with conventional food to educate customers and enable them to comparison shop.

For example, Jon Wissmann, BFS’ director of meat operations, worked with store teammates on how to merchandise GNFF meat next to conventional meat while maintaining the integrity of each. Lou Malaponti, BFS’ director of produce operations, integrated locally grown produce in the same area as conventional produce along with clear signage. Locally produced honey was labeled as such and placed on the same shelves as non-local honey. Proper labeling and signage seemed to be a trivial component of BFS’ task, but in fact it was not. BFS’ department directors worked with store teammates on how to properly designate locally grown food as such and how to display it in the store. “Our store teams developed key practices for our employees that included proper signs and discipline in placing them,” explains Matt.
CHALLENGES AND THE KEYS TO SUCCESS

According to Diana Endicott, the most significant challenge in helping to grow Balls Food Stores’ local food program is the consistency of supply. The supply chain can get disrupted for a number of reasons, such as financial difficulty of the grower, a key family member falling ill, or an important aspect of the production cycle being affected (delivery truck break down, for instance). These are small-scale, family farms and they can, at times, be faced with challenges that hamper their ability to deliver products as agreed upon. In this case, the issue is addressed through a large supplier network, Good Natured Family Farms, but the reality is that local farms are not unlimited in number.

A second challenge is BFS’ ability to meet its growth target year over year. When the program was in its infancy and sales were under half a million dollars, it was relatively easy to increase sales by 35 percent. But now that local food sales stand at approximately $9.5 million, a 35 percent increase translates into an additional $3.5 million in sales for the next year. To reach this goal, BFS will need to increase its supplier base, diversify its local food product portfolio and continue to invest heavily in marketing. BFS’ department directors recognize this and they remain committed to building stronger partnerships with existing suppliers while seeking out new ones, especially within the partnership with GNFF partnership.

Increasing efficiencies in logistics and distribution remains an area that requires constant honing. For example, GNFF and BFS need to work with local farmers to ensure uniform packaging so that time and resources are not wasted at the central warehouse to repackage products according to BFS’ specifications. Also, small deliveries to the warehouse result in multiple rounds of offloading and reloading, which can affect product quality (bruising, etc.) Farmers have learned to aggregate as much product as possible and send it to BFS’ central warehouse as infrequently as possible to reduce the number of times products are received at the BFS dock, which in turn reduces cost and makes the central warehouse’s operation more efficient. This is an area that remains a work in progress.

The key to success of BFS’ local food sales program has been the company’s commitment to supporting local farmers while keeping a laser focus on bottom line results. Having an organizational philosophy that starts at the top with David Ball and flows down through the company is critical to long-term success. Bringing the BFS team together and getting all department directors on board with the local food initiative is also a major driver of success. Finally, working directly with the GNFF alliance and the Buy Fresh Buy Local campaign is critical in creating a year-round market for locally grown food.

BFS has had great success working with Good Natured Family Farms to source and market local farm foods. The BFS team remains steadfast in their commitment to local foods even though much work remains to address challenges. And as usual, David Ball leads the charge: “The beauty of all this is that the current level of local food sales represents less than 2 percent of our total sales across all stores, so we have lots of room to grow our local food program.”
REFERENCES
This case study was developed based on: (i) conversations with Matt Jonas of Balls Food Stores, Diana Endicott of Good Natured Family Farms and Otavio Silva, KC BFBL administrator; (ii) a review of public websites and PowerPoint presentations provided by Diana Endicott; (iii) a review of BFS marketing materials; and (iv) a reading of magazine and newspaper articles. The list of materials reviewed appears below.


Diana Endicott and Matt Jonas, PowerPoint presentations on Good Natured Family Farms (GNFF) and Balls Food Stores’ efforts to support local farms and the Buy Fresh Buy Local Campaign results.


Tastebud Magazine, Balls Food Stores full-page ad on back cover advertising Buy Fresh Buy Local, August 2007.


FOR MORE INFORMATION

Balls Food Stores: http://www.henhouse.com/

Buy Fresh Buy Local: http://www.foodroutes.org/buy-fresh-buy-local.jsp

Good Natured Family Farms: http://www.goodnatured.net

Wallace Center at Winrock International: http://www.wallacecenter.org