

Energy & Store  
Development Conference

2013  
E+Sd



THE VOICE OF FOOD RETAIL 



Energy & Store  
Development Conference

**E+Sd** 2013

## **CONSIDERING IMPLEMENTATION OF A SMALL STORE FORMAT STRATEGY**

**J. Max Van Hoose**  
**Vice-President of Store Planning**  
**Harps Food Stores**



# My Disclaimer



- 
- **Started in 1930**
  - **Opened 2<sup>nd</sup> store in 1964**
  - **41 stores in the late 2001**
  - **Company was sold to the ESOP in 2001**
  - **Regional grocer with stores in Arkansas, Oklahoma and Missouri**

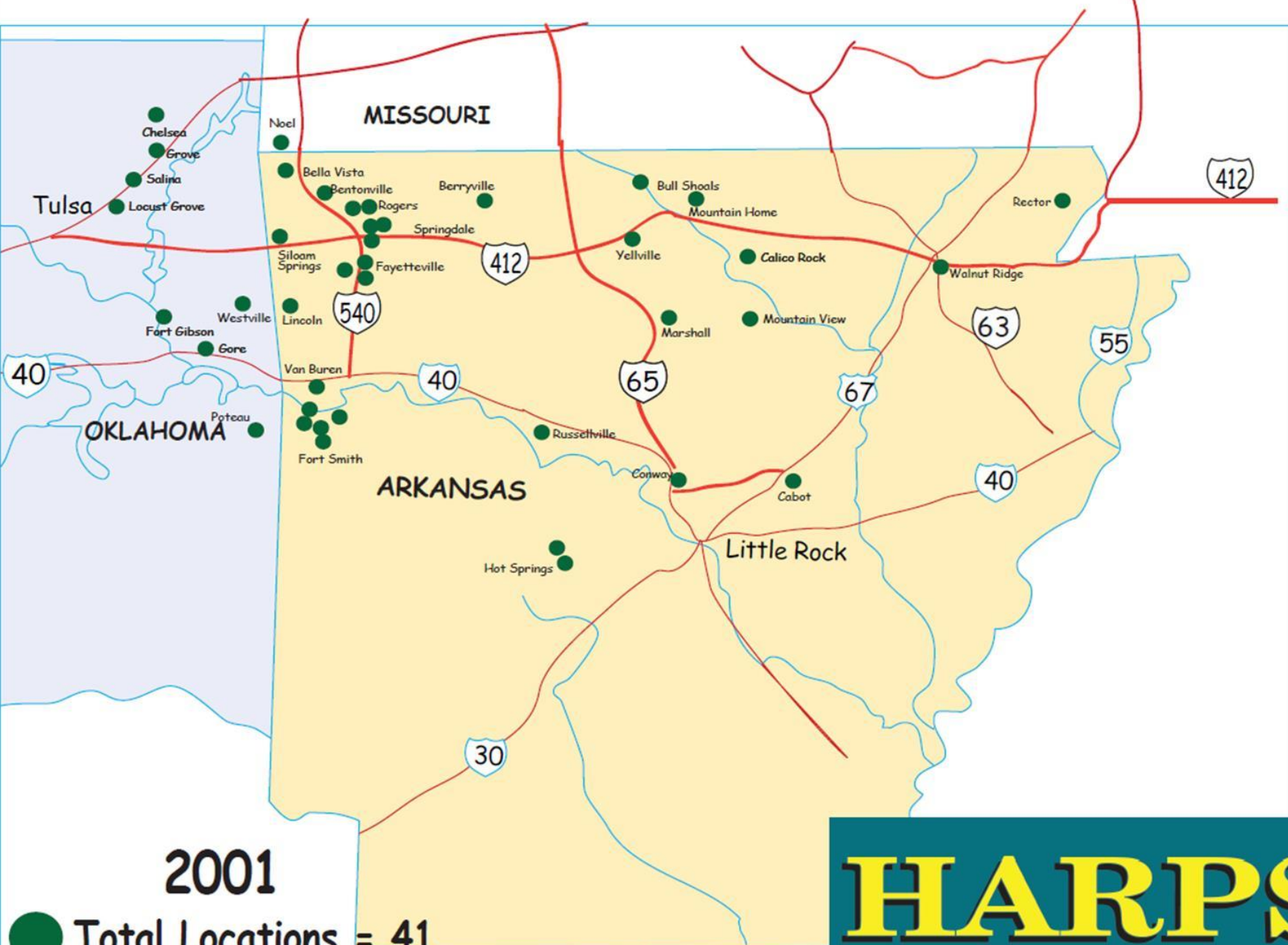


# HARPS

WESTERN  
UNION







**HARPS**  
*employee owned*





HARPS

■ PHARMACY ■ DRIVE THRU ■

Employee Owned and Operated

■ DELI ■ BAKERY ■

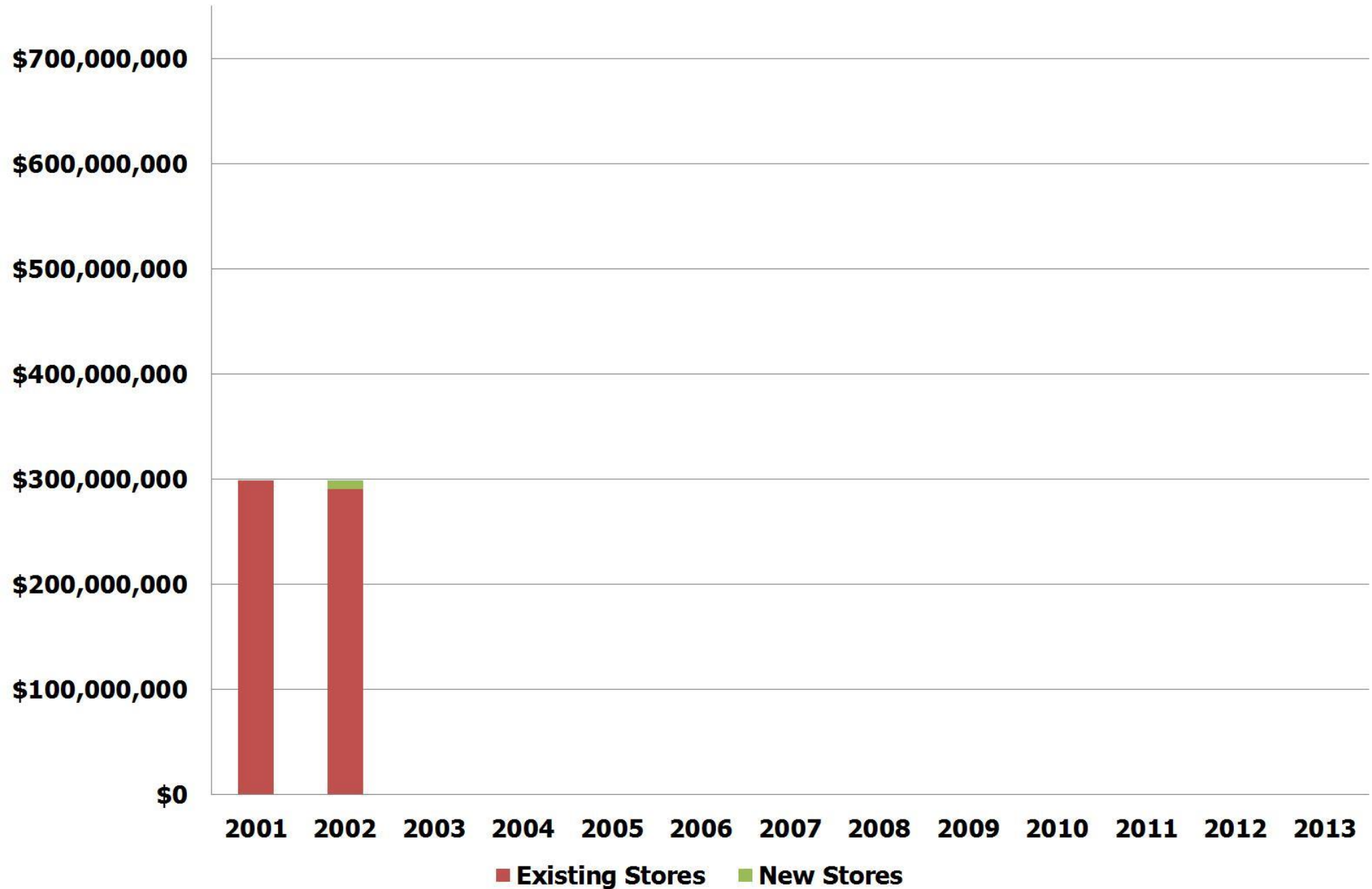
WESTERN  
UNION

HARPS GAS

Please  
Don't  
Camp  
In Cars

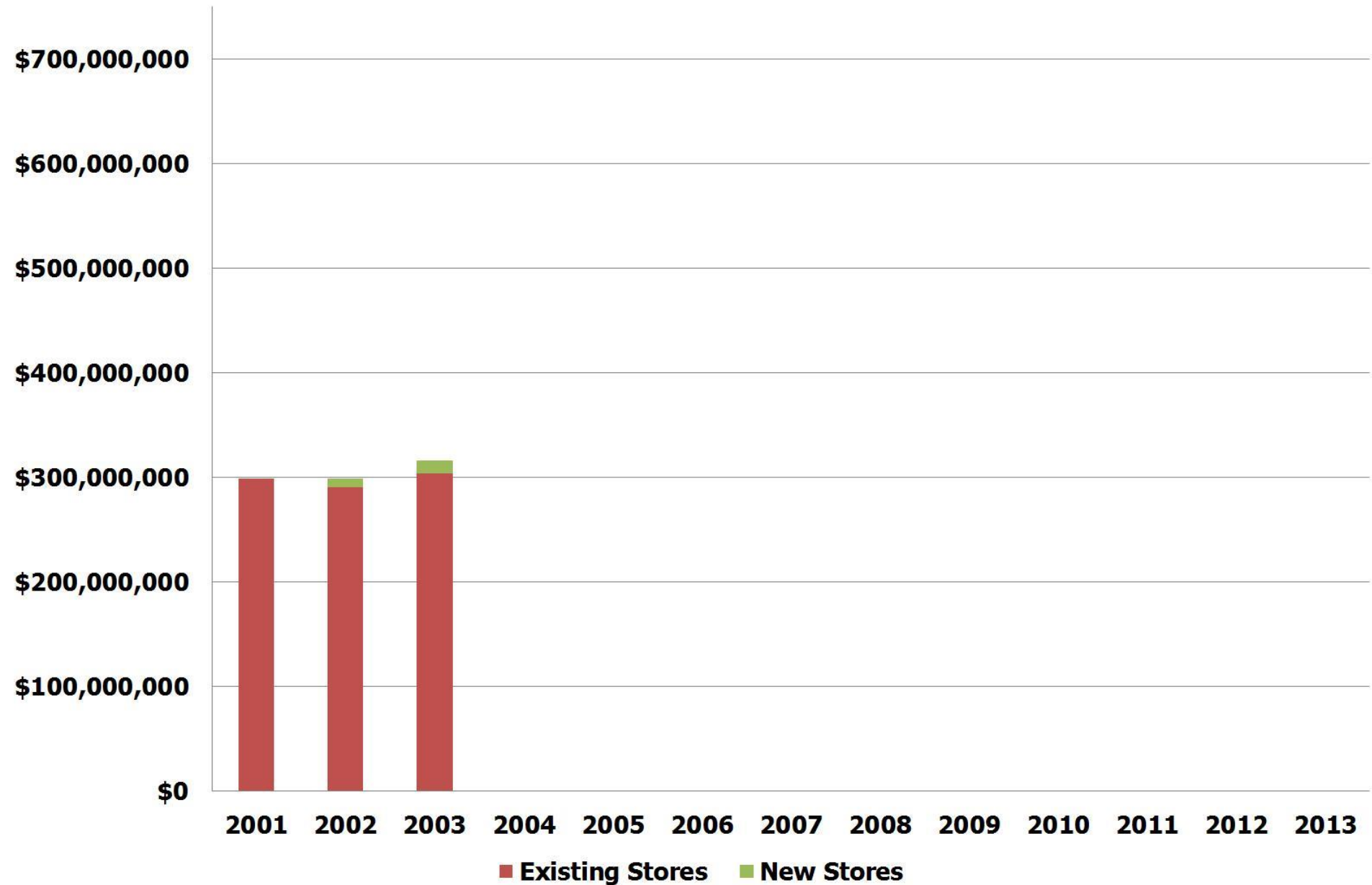


# Harps Sales 2001-2005



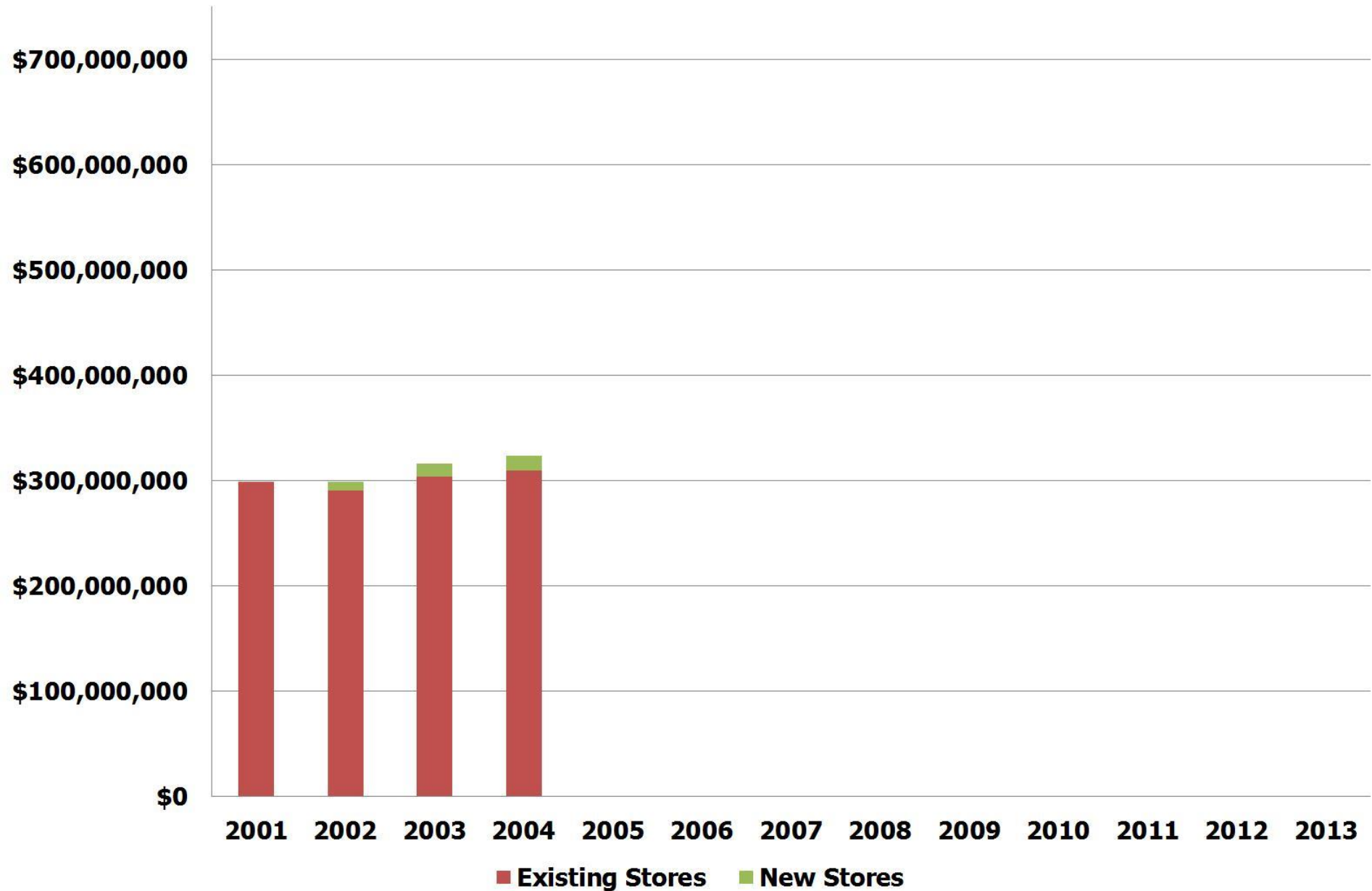


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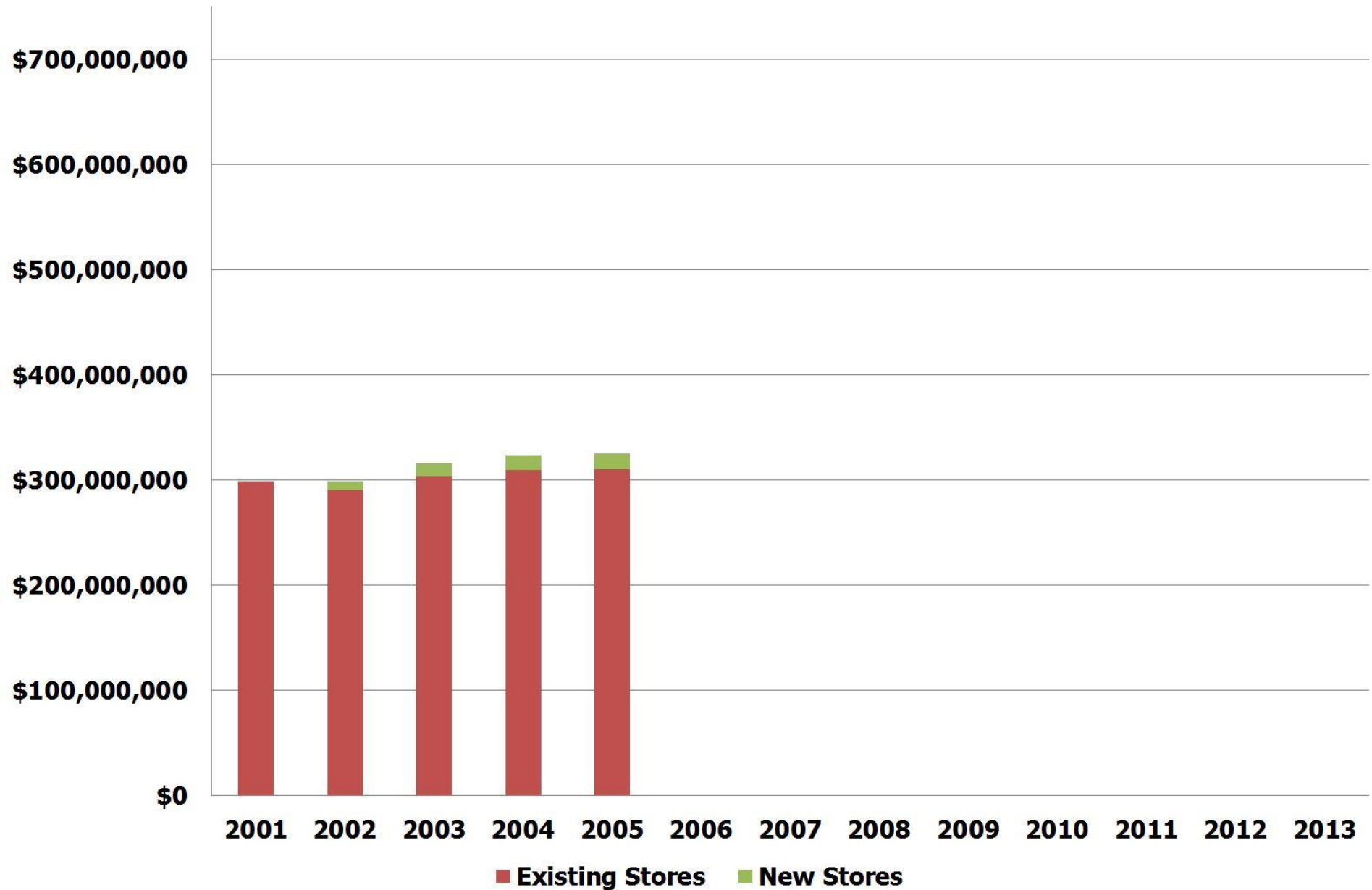


# Harps Sales 2001-2005

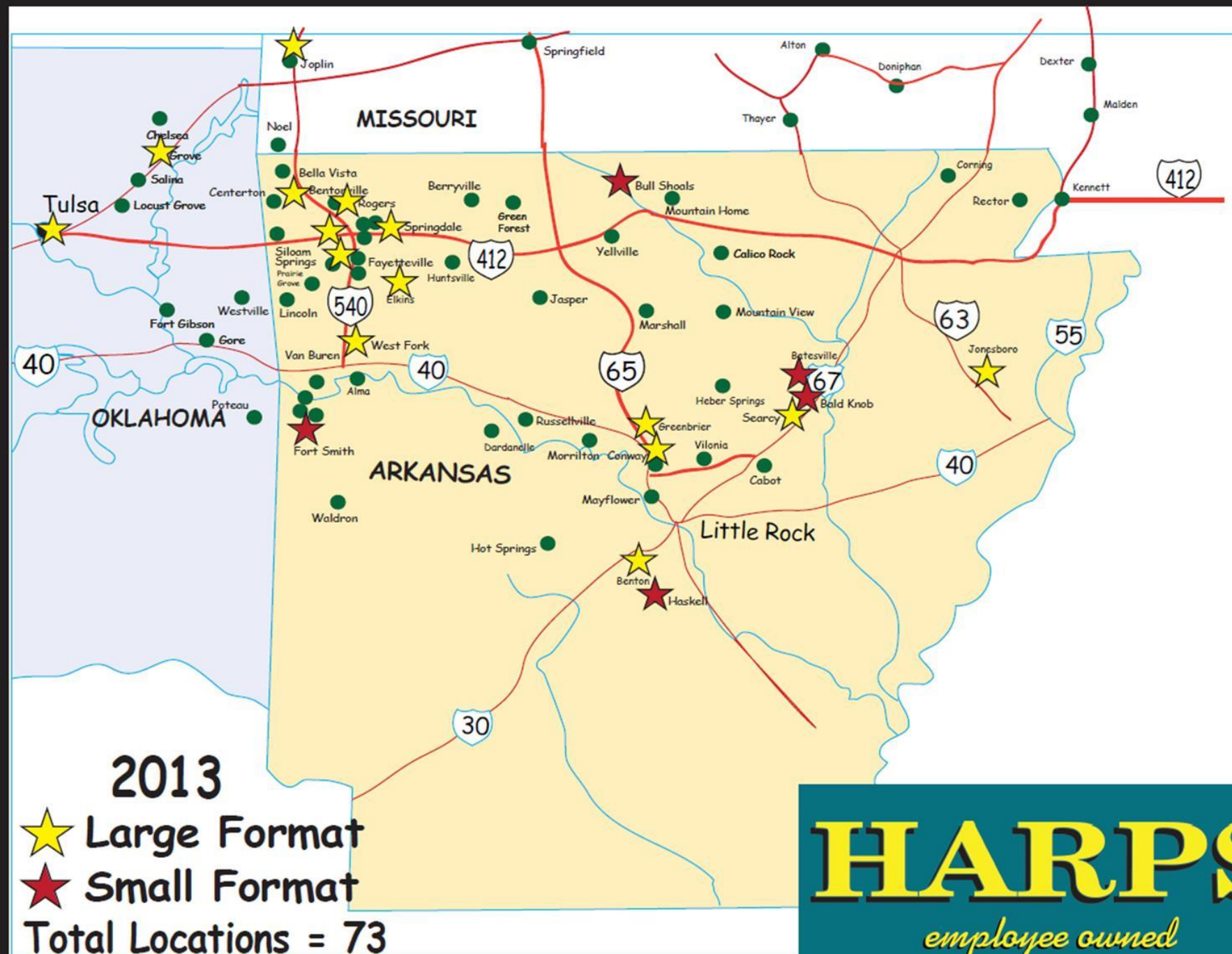




# Harps Sales 2001-2005









# Markets That We Serve

## Grove, OK

- **Population: 6,623**
- **Trade Area: 16,423**
- **Median Income: \$28,946**
- **Competition: Wal-Mart Super Center**



# **Jonesboro, AR**

- **Population: 67,263**
- **Trade Area: 44,097**
- **Median Income: \$47,351**
- **Competition: (2) Wal-Mart Super Centers, Kroger, ALDI, (5) Independent Stores**





# **Searcy, AR**

- **Population: 22,858**
  - **Trade Area: 11,719**
  - **Median Income: \$44,935**
  - **Competition: Wal-Mart Neighborhood Market, Wal-Mart Super Center, Kroger, (2) Independent Stores**
-



# Haskell, AR

- **Population: 3,990**
- **Trade Area: 9,064**
- **Median Income: \$47,056**
- **Competition: Wal-Mart Super Center, Kroger (not in town)**



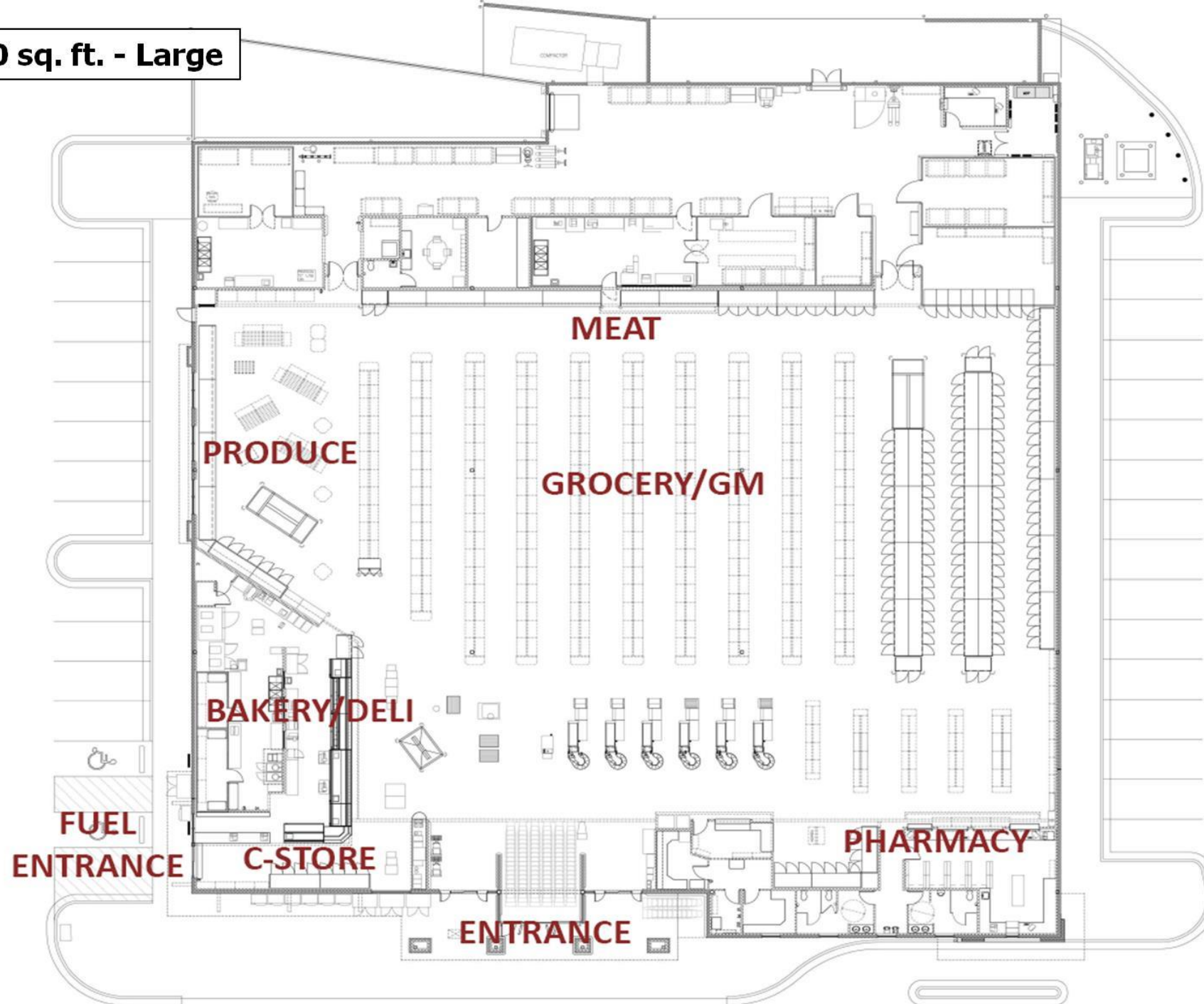


# So What Is The Format?

- **Grocery.....Yes (21)**
- **Produce.....Yes (21)**
- **Meat.....Yes (21)**
- **Bakery/Deli.....Most of the Time (19)**
- **Pharmacy.....Often (13)**
- **Beer/Wine/Liquor.....Occasionally (11)**
- **Floral.....Not Really (0)**



**32,000 sq. ft. - Large**







**32,000 sq. ft. - Large**





**32,000 sq. ft. - Large**





**32,000 sq. ft. - Large**



*Thank you for Shopping*  
**HARPS**

**32,000 sq. ft. - Large**

**EXIT**

**RPS**  
*Employee Owned & Operated*



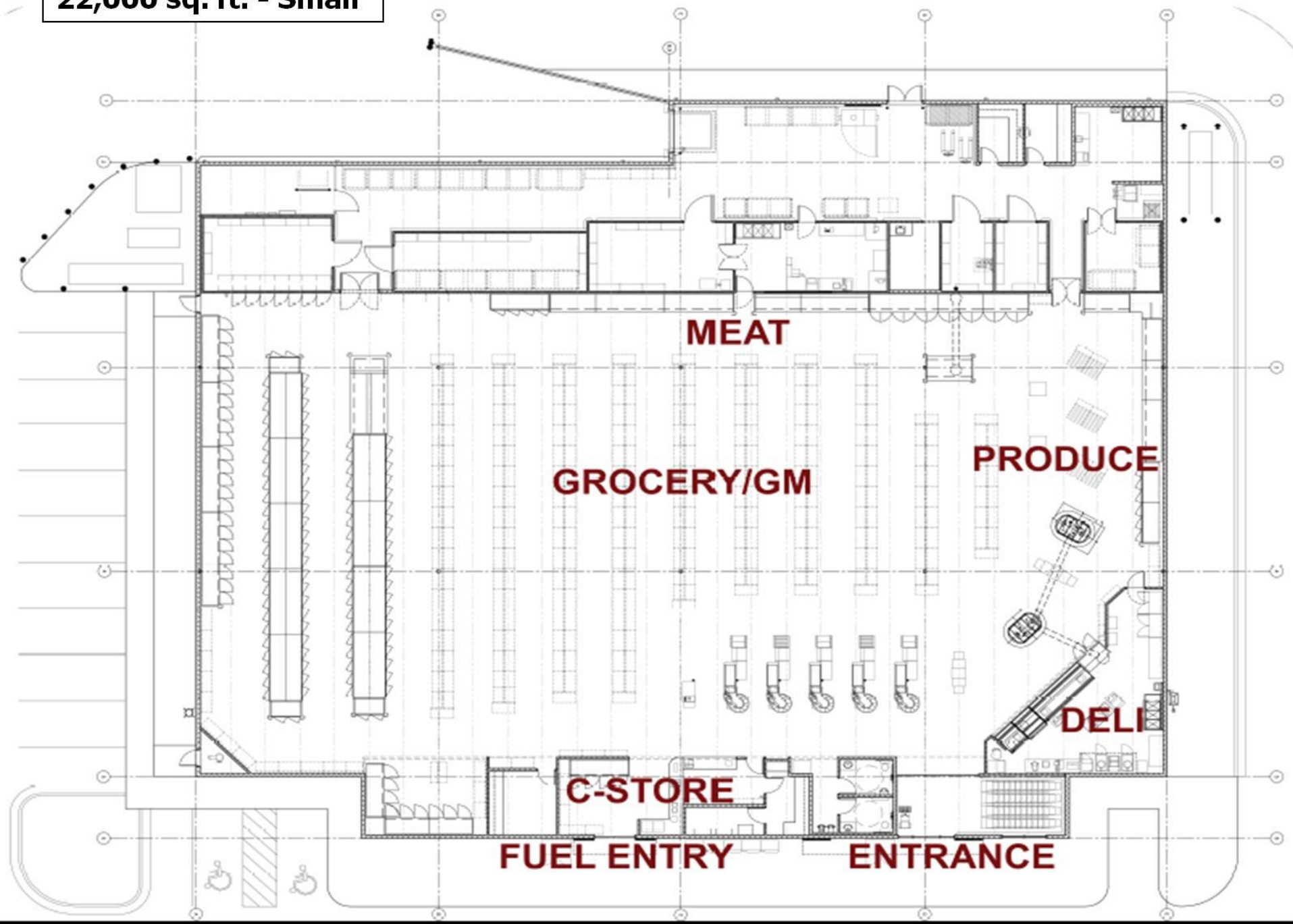




**32,000 sq. ft. - Large**



**22,000 sq. ft. - Small**







**22,000 sq. ft. - Small**





**22,000 sq. ft. - Small**



22,000 sq. ft. - Small

# FRESH DELI







**22,000 sq. ft. - Small**





**22,000 sq. ft. - Small**



# Space Allocation



• <b>Grocery.....</b>	<b>39%</b>
• <b>Non-Food (GM).....</b>	<b>10%</b>
• <b>Meat.....</b>	<b>9%</b>
• <b>Produce.....</b>	<b>11%</b>
• <b>Bakery/Deli.....</b>	<b>11%</b>
• <b>Pharmacy.....</b>	<b>2%</b>
• <b>Gas.....</b>	<b>1%</b>
• <b>Common Areas.....</b>	<b>17%</b>



# Advantages of a Smaller Format

- More markets
- More locations
- Response to other competitive categories including Dollar Stores and Convenience Stores
- Most important to us.....Mitigation of Risk
- Time to profitability
- Do you really want or need to be “ALL IN”?



# Design and Merchandising-A Review by Department

- What is critical?
- What has changed?
- Other trends



# Grocery Department

## SKU's

- Large = 15,000
- Small = 12,000 – 13,000

- Large Format
- Small Format

**FF Doors**

**96**

**94**

**Dairy Doors**

**30**

**22**



Our "Pink Tags" offer Extreme Low Prices...  
"THINK PINK" FOR SAVINGS!







Shelf 1 (Top):  
- Baking Mixes: Corn-Kits (50¢), Shawnee Mills (58¢), Gold Medal (58¢), Pillsbury (58¢).  
- Flours: Soy Flour, Brown Rice Flour, Organic White Flour, Gluten Free Baking Mix, Gold Medal Self-Rising Flour, Pillsbury Best Self-Rising Flour, Gold Medal Flour.

Shelf 2:  
- King Arthur Flour: Whole Wheat Flour (\$3.85), Unbleached All-Purpose Flour (\$4.48).  
- Gold Medal: Whole Wheat Flour (\$3.85).  
- Pillsbury Best: Bread Flour (\$2.95), Whole Wheat Flour (\$3.85).

Shelf 3:  
- King Arthur Flour: Unbleached All-Purpose Flour (\$4.48).  
- Pillsbury Best: Whole Wheat Flour (\$3.85).  
- Gold Medal: Self-Rising Flour (\$2.98).

Shelf 4:  
- W-R: Self-Rising Flour (\$2.68).  
- Pillsbury Best: All-Purpose Flour (\$2.85).  
- Gold Medal: Self-Rising Flour (\$2.98).

Shelf 5 (Bottom):  
- W-R: Self-Rising Flour (\$2.85).  
- Pillsbury Best: All-Purpose Flour (\$2.85).  
- Martha White: All-Purpose Flour (\$2.68), Self-Rising Flour (\$4.88).





Warm Delights  
Warm Delights  
Warm Delights  
Warm Delights  
Warm Delights  
Warm Delights

\$2.35

\$2.85

GLUTEN FREE  
Double Chocolate  
Peanut Butter  
Mix

GLUTEN FREE  
Double Chocolate  
Peanut Butter  
Mix

Organics  
CHOCOLATE CHIP

Organics  
CHOCOLATE CHIP

FRENCH PÂTISSIER  
Tarte  
CHOCOLATE CAKE MIX

Mug Cake  
Mug Cake  
Mug Cake

FREE

FREE

\$6.98

FREE

\$9.99

FREE

\$2.99

\$2.99

Chocolate  
Mix  
Chocolate  
Mix

GLUTEN FREE  
Pantry  
Red Tail  
Red Tail

GLUTEN FREE PANTRY  
chocolate chip  
cookie & cake  
mix

GLUTEN FREE PANTRY  
chocolate chip  
cookie & cake  
mix

Lava  
Chocolate

GERMAN  
STREUSEL  
CAKE MIX

Crème  
Bûche  
Crème  
Bûche

FREE

FREE

\$4.98

\$4.98

FREE

FREE

\$3.88

\$2.98

\$1.98

LOUISIANA  
Cobbler  
Mix  
LOUISIANA  
Cobbler  
Mix

SHAKE FOUR  
SHAKE FOUR

SHAKE FOUR  
SHAKE FOUR

Frosted  
Premium Brownie Mix with  
HERSHEY'S

Frosted  
Premium Brownie Mix with  
HERSHEY'S

2 BOX TOPS  
Triple Chunk  
Premium Brownie Mix with  
HERSHEY'S

Triple Chunk  
Premium Brownie Mix with  
HERSHEY'S

\$1.98

\$2.98

\$3.40

\$2.40

\$2.40

APPLE CRISP  
Mix

Chocolate Chunk  
Premium Brownie Mix with  
HERSHEY'S

Chocolate Chunk  
Premium Brownie Mix with  
HERSHEY'S

Walnut  
Premium Brownie Mix with  
HERSHEY'S

Walnut  
Premium Brownie Mix with  
HERSHEY'S

Original Supreme  
Premium Brownie Mix with  
HERSHEY'S

Original Supreme  
Premium Brownie Mix with  
HERSHEY'S

Ultimate Fudge  
Premium Brownie Mix with  
HERSHEY'S

Ultimate Fudge  
Premium Brownie Mix with  
HERSHEY'S

\$2.98

\$2.40

\$2.40

\$2.40

\$2.40

\$2.40

\$2.40

\$2.40

\$2.40

PEACH COBBLER  
Mix

PEACH COBBLER  
Mix

PEACH COBBLER  
Mix

PEACH COBBLER  
Mix

PEACH COBBLER  
Mix

Turtle  
Premium Brownie Mix with  
HERSHEY'S

Turtle  
Premium Brownie Mix with  
HERSHEY'S

Peanut Butter  
Premium Brownie Mix with  
HERSHEY'S

Peanut Butter  
Premium Brownie Mix with  
HERSHEY'S

Peanut Butter  
Premium Brownie Mix with  
HERSHEY'S

Peanut Butter  
Premium Brownie Mix with  
HERSHEY'S

\$2.98

\$2.40

\$2.40

\$2.40

\$2.40

\$2.40

\$2.40

\$2.40

\$2.40

\$2.40



















# FRESH MILK





# CHEESE

juice

## FRESH DAIRY

yogurt

cheese

cheese

eggs

eggs





# Produce Department

## SKU's

- 2001 450
- 2013 950 in Large  
750 in Small
- We don't give up selection in Produce
- Bulk nuts and grains, cut fruit items, specialty juices, expanded apples, citrus, organics



# SALAD

# FRUITS & VEGETABLES

# HEALTHY SNACKS

produce  
meat department  
bakery  
gluten free  
natural foods  
organic foods





# FRUITS & VEGETABLES





# HEALTHY SNACKS

EXIT



TASTY SELECTIONS  
\$2.99

**EXTREME LOW PRICE**  
10 LB RUSSETT  
You Save 50¢  
Regular Price \$3.49  
03/05/2013  
**\$2.99**  
1 EA



# An Interesting Statistic

- Corporate sales are up by a factor of 2.1
- Produce sales are up by a factor of 2.4





# What Do We Give Up?

- **Massive Displays**
- **This is not a Truckload Sales type of store**
- **Do you want (4) BINS of potatoes....Don't build a small format**



# Bakery / Deli





# BAKERY & DELI







# SPACE







# **We Don't Do Mexican Tuesday**





## A large, brightly lit bakery and deli section of a grocery store. The counter is filled with various baked goods, including breads, pastries, and cakes. A large sign above the counter reads "BAKERY &amp; DELI". Several menu boards display prices for items like pizzas, sandwiches, and cakes. A person is visible behind the counter, and a red carpet is laid out on the floor.



*Martha Harp's*  
Honey Dipped  
**D**onuts





A photograph of a plate of golden-brown fried chicken pieces resting on a bed of green lettuce leaves. The plate is white and sits on a red, patterned tablecloth. In the background, there are two glass bowls: one containing whole cherry tomatoes and the other containing a green salad with shredded lettuce and orange slices.

*Martha  
Harp*

Golden Fresh  
Fried Chicken



*Martha Harp's*



*Signature*

**Rolls**











# Other Observations

- **Share labor with the Fuel Department**
- **Focus on 2 or 3 hot foods**
- **Labor is cross trained**
- **No Seating Area**





# Trends

- Specialty Cheese
- Sushi (sub-contract/lease)
- Olives
- Healthy Living/Vitality
- Crusty Breads





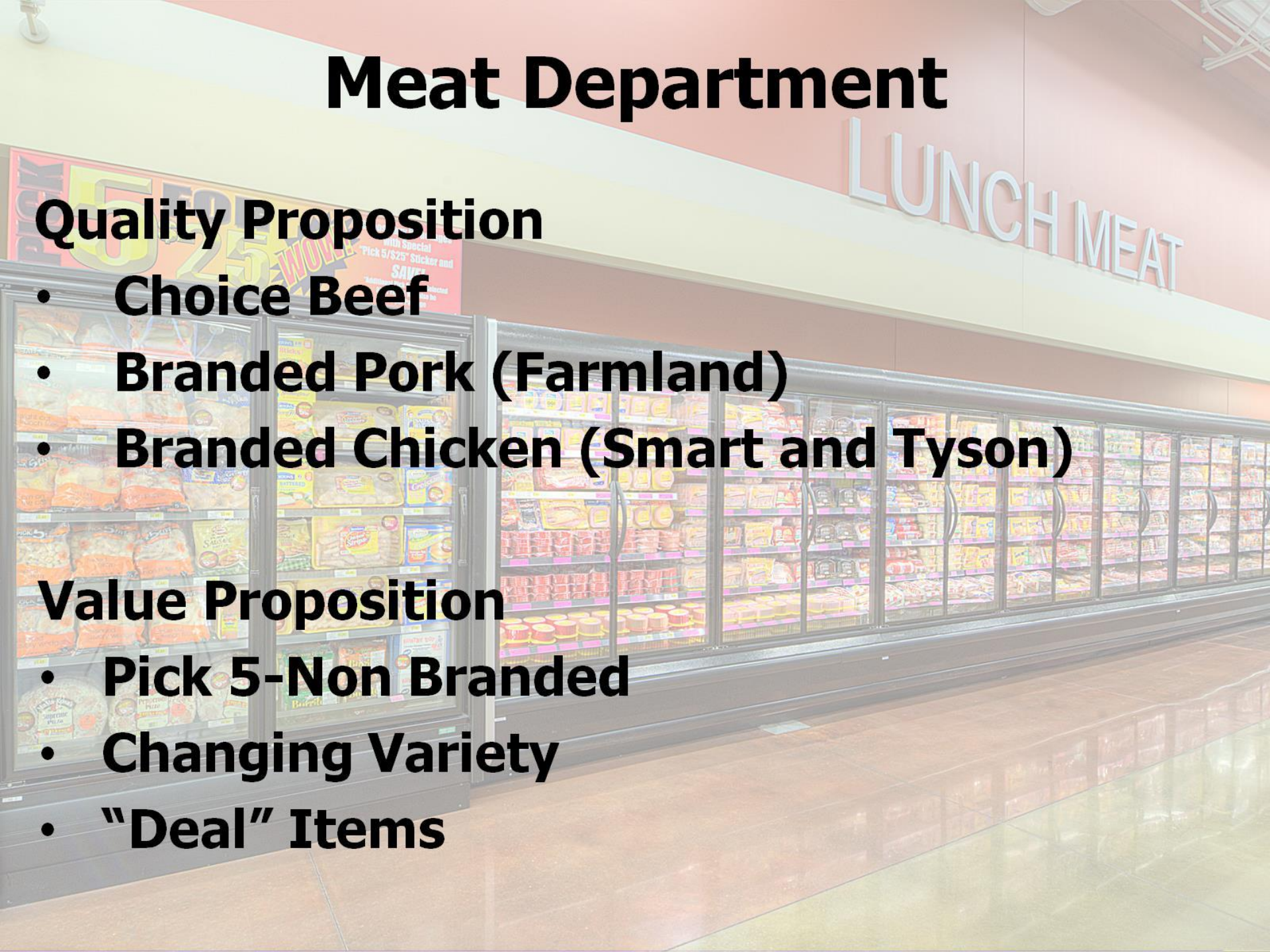
# Meat Department

## Quality Proposition

- **Choice Beef**
- **Branded Pork (Farmland)**
- **Branded Chicken (Smart and Tyson)**

## Value Proposition

- **Pick 5-Non Branded**
- **Changing Variety**
- **“Deal” Items**





# FRESH MEAT

Butcher will cut your Special Order, Ring bell for Fast and Friendly Service

RING  
BELL  
FOR  
SERVICE

LUNCH MEAT





# NO SODIUM NO SOLUTION

PICK 5 FOR \$25 WOW!

Choose any 5 Packages with Special "Pick 5/\$25" Sticker and **SAVE!**  
Additional Pick 5 Items Selected After First 5 will also be \$5 per Package

100% FRESH CHICKEN



FRESH MEAT

FULLY COOKED  
TASTE. READY





# Pharmacy

- Independent of the store projections, we determine the success potential
- 450-750 ft.
- Drive-Thru Window



# PHARMACY

pick-up

drop-off

analgesics

antacids





# Beer/Wine/Liquor





# SPIRITS

scotch / brandy

cabernets

bourbon

chardonnays

canadian

merlots

# BEER





# C-Store within a Store

- The convenience of fuel
- The infrastructure in place for an Express lane and convenience items
- The ability to cross-market fuel with the store
- Still opportunities to improve



32oz  
FOUNTAIN  
DRINKS

OR  
TASTY  
TEA 80

16oz ALL DRINKS 1.00

20oz ALL DRINKS 1.50 EA

57  
FROZEN  
DRINKS 1.99



TRASH



A wide-angle photograph of a convenience store's interior. In the foreground, a large, curved deli counter is filled with various packaged meats and cheeses. Behind the counter, a cashier is visible. To the left, there are shelves stocked with snacks and a checkout area. The store has a bright, modern feel with a polished floor and a ceiling with recessed lighting. A large sign above the entrance reads "ICE CANDY TOBACCO". Several menu boards are hanging from the ceiling, displaying food and drink options. The overall atmosphere is clean and well-lit.



# Shop Harps for LOWER Gas Prices

WHEN YOU PURCHASE **\$50** Or More IN GROCERIES\*

**YOU EARN... 5¢ OFF** Per Gallon\*\* ON YOUR NEXT GAS PURCHASE

PURCHASE **\$100** Or More IN GROCERIES\*

**YOU EARN... 10¢ OFF** Per Gallon\*\* ON YOUR NEXT GAS PURCHASE

Simply Make A Qualifying Purchase And Get A Fuel Card From Cashier

\* Maximum discount earned in a single transaction is 30¢.

\*\* Discount excludes purchases on: Alcohol, Gas, Tobacco, Cigarettes, Prescriptions, Gift Cards & Services

\*\* LIMIT 15 GALLONS





# What the Format is NOT

- **Full Service Meat.....No**
- **Catering.....Nope**
- **Full Service Floral.....'Fraid Not**
- **Lots of Food Service.....Can't Say We Do**
- **Large Specialty Sections (HBC, Greeting cards, Non Foods)**
- **Lots of Labor**



# What Do You Want To Be?

- Are we a cafeteria?
- Are we a restaurant?





# DEVELOPMENT COSTS

	SMALL	LARGE
Land	\$90,000 - \$180,000	\$400,000 - \$800,000
Site	\$510,000 - \$910,000	\$930,000 - \$1,075,000
Building	\$1,660,000 - \$1,800,000	\$2,700,000 - \$2,800,000
Other	\$191,000 - \$240,000	\$180,000 - \$250,000
Totals	\$2.5 - \$3.1 million	\$4.2 - \$4.9 million
\$/Foot	\$111 - \$138	\$133 - \$156



# 32,000 Sq Ft Format

## Refrigeration

- Three distributed type systems w/ air cooled condensers
- Electric and off cycle defrost
- Refrigerant R-407A
- Total refrigerant charge 850 pounds
- Total BTU load 556,550

## HVAC

- Main sales floor serviced by one 60-ton Munters Dry/Cool desiccant wheel for dehumidification and natural gas for heat
- Perimeter areas serviced by eight Lennox package units
- Refrigerant R-410A
- Total A/C capacity 110 tons
- De-stratification fans used throughout the store



# **22,500 Sq Ft Format**

## **Refrigeration**

- **Two distributed type systems w/ air cooled condensers**
- **Electric and off cycle defrost**
- **Refrigerant R-407A**
- **Total refrigerant charge 600 pounds**
- **Total BTU load 478,000**

## **HVAC**

- **Main sales floor serviced by six 5-ton units equipped with re-heat coil for dehumidification and natural gas for heat**
- **Perimeter areas serviced by seven package units w/ natural gas for heat**
- **Refrigerant R-410A**
- **Total A/C capacity 66 tons**
- **De-stratification fans used throughout the store**





# The Results

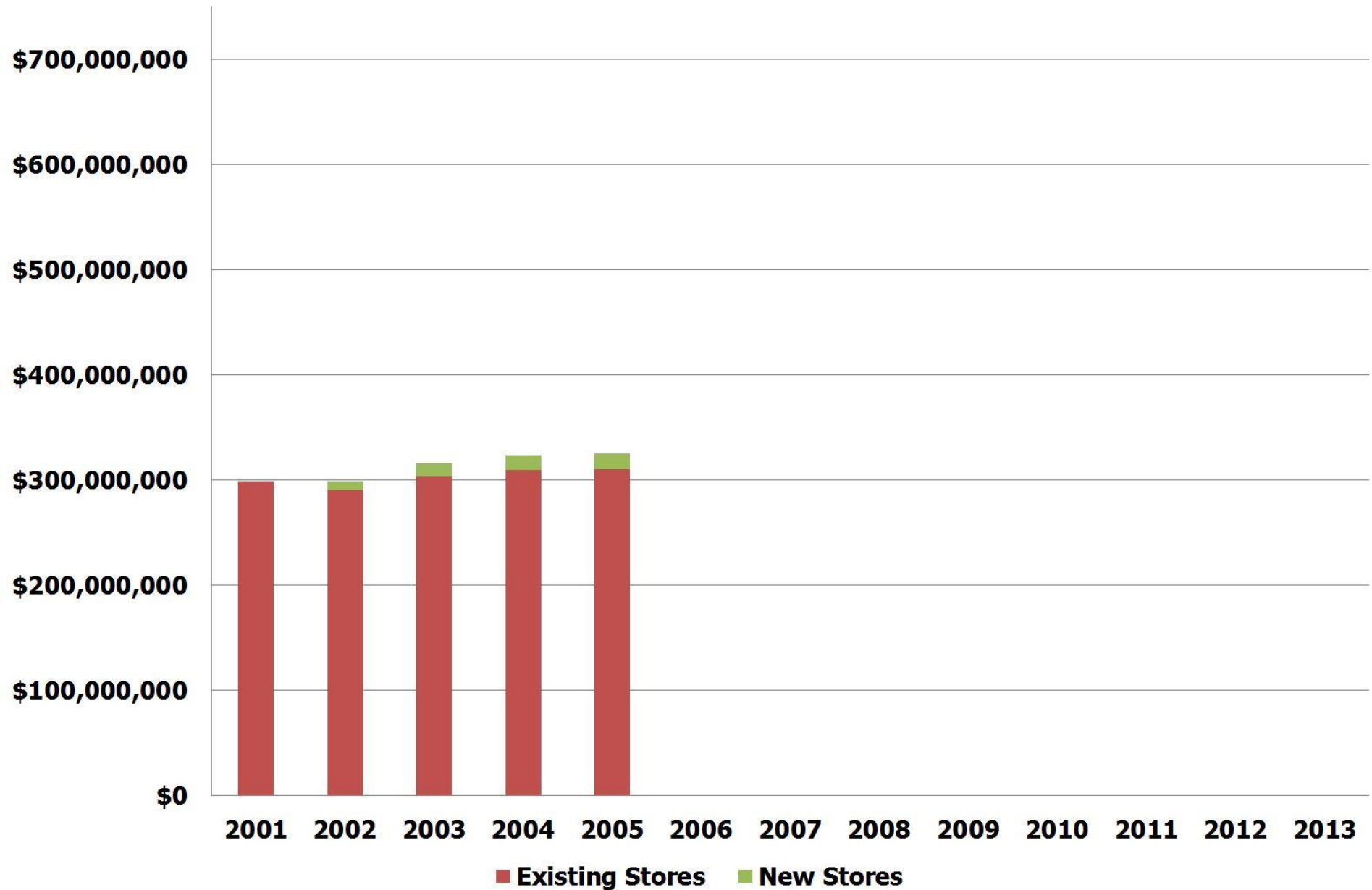


# STORE PERFORMANCE

	SMALL	LARGE
Everything (less Pharmacy and Gas)	\$110,000+	\$190,000+
Pharmacy	N/A	\$33,000+
Gas	\$47,000+	\$60,000+
Total	\$157,000+	\$283,000+
\$/Foot	\$7.00/foot	\$9.00/foot

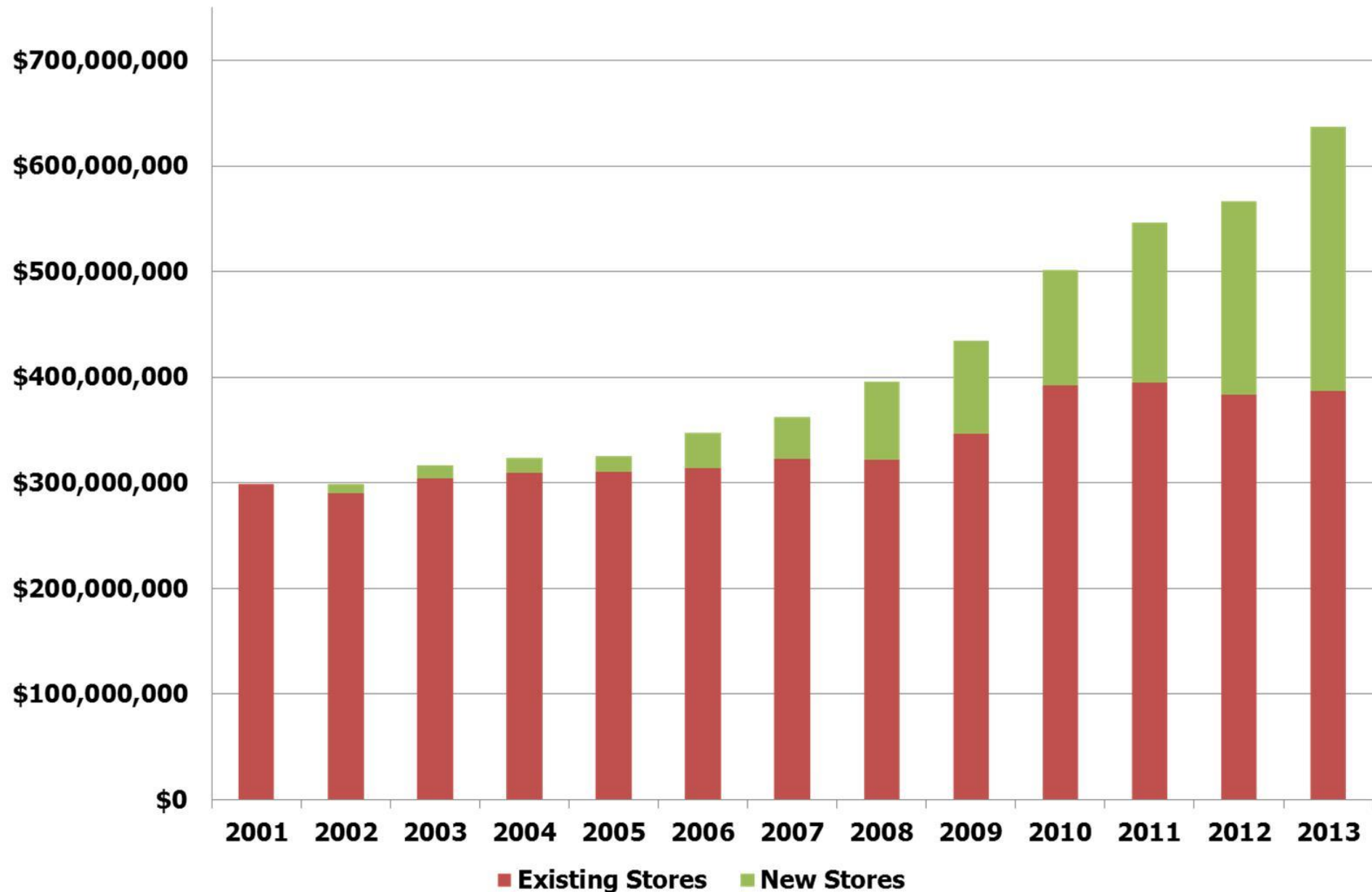


# Harps Sales 2001-2005





# Harps Sales 2001-2013





- **Stock Price – 2001 \$27.00 a share**  
**2012 \$243.40 a share**
- **ROA – 10.99%**
- **ROE – 29.26%**
- **Pre-Bonus EBITDA – Over 6%**





A woman with blonde hair tied back, wearing a black visor with the word 'HARPER' on it, a black short-sleeved shirt, and a black apron with colorful paint splatters, is focused on decorating a round cake. The cake is on a white turntable and has a white swirl pattern with a border of colorful sprinkles. She is using a small tool to place more sprinkles. In the background, another person is working at a counter, and there are various baking supplies and equipment visible. The text 'A "Format" doesn't have a soul, and doesn't create a brand.' is overlaid in large, bold, black letters across the center of the image.

**A "Format" doesn't have a soul,  
and doesn't create a brand.**







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