

How Graeter's grew nationwide

Cincinnati icon Graeter's ice cream expects to nearly double its national grocery store availability this year, thanks to an upgraded manufacturing facility and an inexpensive social media marketing campaign that encourages its fans in new cities to hold ice cream parties for friends.

Last month, Florida-based Publix Super Markets, which operates over 1,000 stores in Florida, Georgia, Alabama, South Carolina and Tennessee, started carrying pints of Graeter's. That gives Graeter's shelf space in 6,200 stores in 43 states, said George Denman, Graeter's vice president of sales and marketing. That's up from three states two years ago.

By April, Graeter's expects to be in nearly 8,000 supermarkets nationally, including Massachusetts-based Stop & Shop; Jewel-Osco in Chicago; Weis Markets in central Pennsylvania; Bozzuto's in Connecticut; and Florida-based Winn-Dixie, Denman said.

Also on Graeter's target list are supermarkets in northern California; Buffalo-based Top's Friendly Markets; and Price Chopper Supermarkets in the Albany, N.Y., area. Graeter's is also sold in more than 2,400 Kroger stores nationally.

"My goal is to sell 5 million pints a year, and this year we hope to sell 4 million, up from about 3 million last year," said

Richard Graeter, chief executive officer of the 142-year-old family owned company. Graeter's opened a Bond Hill plant in 2010 that's capable of producing 30,000 pints a day.

Graeter's developed its national marketing strategy after Richard and his cousins Chip and Bob became the fourth-generation of family members to run the business in 2004. The company had some success with franchising but has since cut back to one franchisee in Louisville. "We started thinking: What's our path for growth?" said Richard. "We thought there was a niche in the super-premium market that wasn't being filled."

The company believed customers of super premium ice cream makers, which include Ben & Jerry's and Haagen-Dazs, were being underserved. Super premium ice cream contains high-quality ingredients and no less than 14 percent milk-fat content. It also costs more. Graeter's pints sell for about \$5 at retail.

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But demand for treats such as expensive ice cream typically hold up during economic downturns. And supermarket chains like Kroger, which are sophisticated in their data mining capabilities, have found that customers buying items like super premium ice cream tend to generate more profit than customers who don't. So Graeter's knew it could place to sell its product.

The challenge was marketing in new cities. Graeter said the company couldn't afford a national campaign. But while it's not as big or well-known as Ben & Jerry's and Haagen-Dazs, Graeter's has dedicated fans who include Madonna and Oprah Winfrey. It also has more than 140,000 mail order customers throughout the country.

So Graeter's capitalized on the loyalty of its fans in other cities by inviting them to host ice cream tasting parties. The company provides those fans with five free pints of ice cream for 20 friends when it enters new markets. The resulting "Fanbassadors" program has been a huge success, said Denman. The company launched the program last fall after noticing how many bloggers and consumers posted comments on its ice cream.

In exchange for the free ice cream and other trinkets such as mousepads, balloons and bumper stickers, the Fanbassadors are required to post testimonials, video and photos of their ice cream parties on Graeter's Facebook page. The company now has more than 150,000 fans on Facebook.

"In five markets, we had 500 Facebook fans invite close to 15,000 people to sample our ice cream in the first 30 days," Denman said.

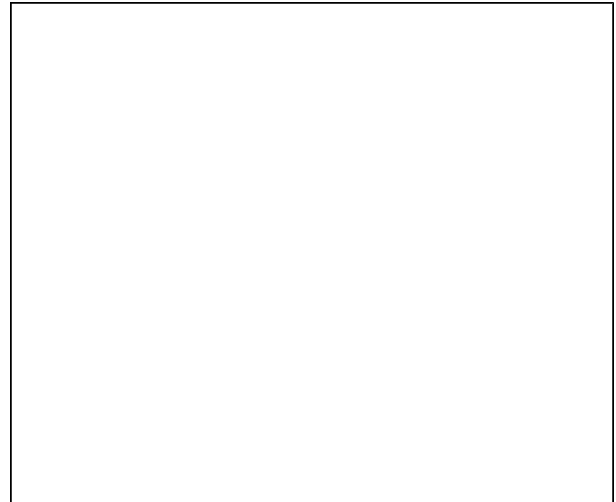
Denman said social media marketing costs a fraction of in-store sampling. And because it's built on the enthusiasm of Graeter's existing fans, it tends to be more successful, he said.

Graeter said it just makes sense. "Who would you rather believe? What a TV ad says or what your friends say?"

The initial success of getting pints into Kroger stores dovetailed with the decision to build the \$11 million, 28,000-square-foot Bond Hill plant and pursue the national expansion.

Typically, Graeter said the company gets one shelf — space for seven facing pints — in stores, but is sometimes allotted more. Graeter said his company has refused to pay so-called "slotting fees" for shelf space. "We can't afford it," he said.

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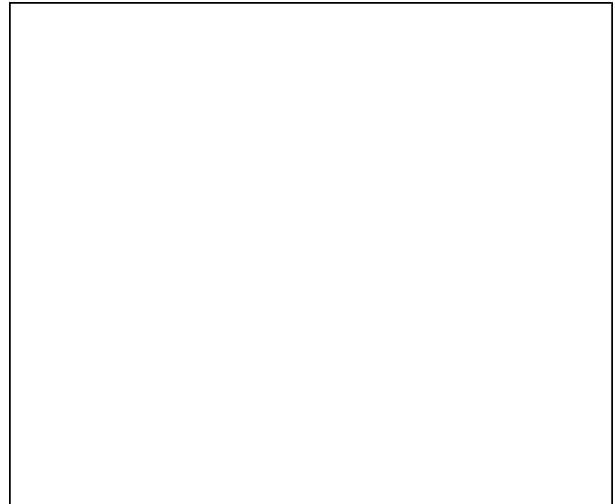


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Super premium ice cream is a highly competitive market, said Howard Waxman, a long-time industry analyst. But he said Graeter's has a very loyal following and expensive ice cream has tended to be an affordable luxury.

"You may not be able to afford a Mercedes, but you can splurge on a pint of ice cream," he said.

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