



Supplying Health in New York City

Lessons from Shop Healthy NYC's Partnership with Wholesale Suppliers for Healthy Food Retail

Why Work with Suppliers?

Healthy food retail programs across the country are working with retailers to increase their stock and promotion of healthy foods and beverages. But it's not only retailers; suppliers, such as wholesale food distributors and manufacturers, also play a major role in shaping the retail environment. Suppliers have significant control over the marketing of products, influencing which products are available, as well as their price, placement, and promotion. Store owners may even sign contracts promising to reserve prime shelf real estate for suppliers in exchange for preferred pricing, sales bonuses, and/or equipment, such as shelving or refrigeration. Often, the products promoted in this way are high-profit, unhealthy items, such as tobacco, alcohol, soda, and processed foods like chips or high-sodium boxed meals. These supplier-store owner agreements create store environments that send constant messages to consumers about which foods to buy—messages that too often work against making healthy choices.



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However, suppliers can also be important partners in bringing healthier foods to local stores. Here are just some of the ways suppliers can support healthy changes in the retail environment:

- Suppliers can carry a range of healthier products in sizes and quantities that make sense for small and independent retailers.
- Suppliers can promote healthier items by creating a “healthy product page” in order books, using signage, and placing healthier items in prominent locations in warehouses.
- Suppliers can provide promotional materials to retailers for use in their stores to help them advertise and sell healthier products.
- Suppliers can offer price incentives, such as coupons or discounts, to encourage stores and customers to buy healthier foods.

To develop the most effective interventions, advocates must understand the resources suppliers have available and the role suppliers play in shaping retail stores. Like retailers, suppliers operate in a highly competitive business environment with low profit margins. In their work, advocates must strategically balance public health goals and suppliers’ bottom line to ensure that the intervention is sustainable over time.

Shop Healthy NYC, a program of the New York City Department of Health and Mental Hygiene (DOHMH), has initiated groundbreaking partnerships with suppliers as part of their work to improve healthier food options across the city. Drawing from that work, this brief provides a resource for other programs that seek to involve suppliers in increasing access to healthier foods.

Overview of the Food Supply Chain

Understanding Where Small and Independent Grocers Get Their Supplies

Small and independent grocers source inventory from many different types of suppliers. There are three broad categories of suppliers: wholesale markets, wholesale grocery distributors, and manufacturers. Most stores, including corner stores, buy from multiple suppliers in order to achieve a balance of affordable prices and convenience. Many corner stores also purchase inventory from other retailers, such as supermarkets and big-box stores. The table on page 3 describes a few key types of suppliers that provide general grocery items to small and independent stores.

Each supplier’s business model heavily informs the supplier’s relationships with individual stores. For example, cash-and-carry wholesalers do not directly influence how merchandise is stocked and promoted in stores, but they can promote products to store owners as the owners shop in the wholesale warehouse. Wholesale grocery distributors offer stores support with marketing and product management, as well as affordable generic or “private label” products and access to market research data. These food business giants conduct extensive market research to determine what will sell and how best to sell it. And manufacturers that offer direct store delivery generally stock products on store shelves themselves, giving them significant control over how and where products are displayed.

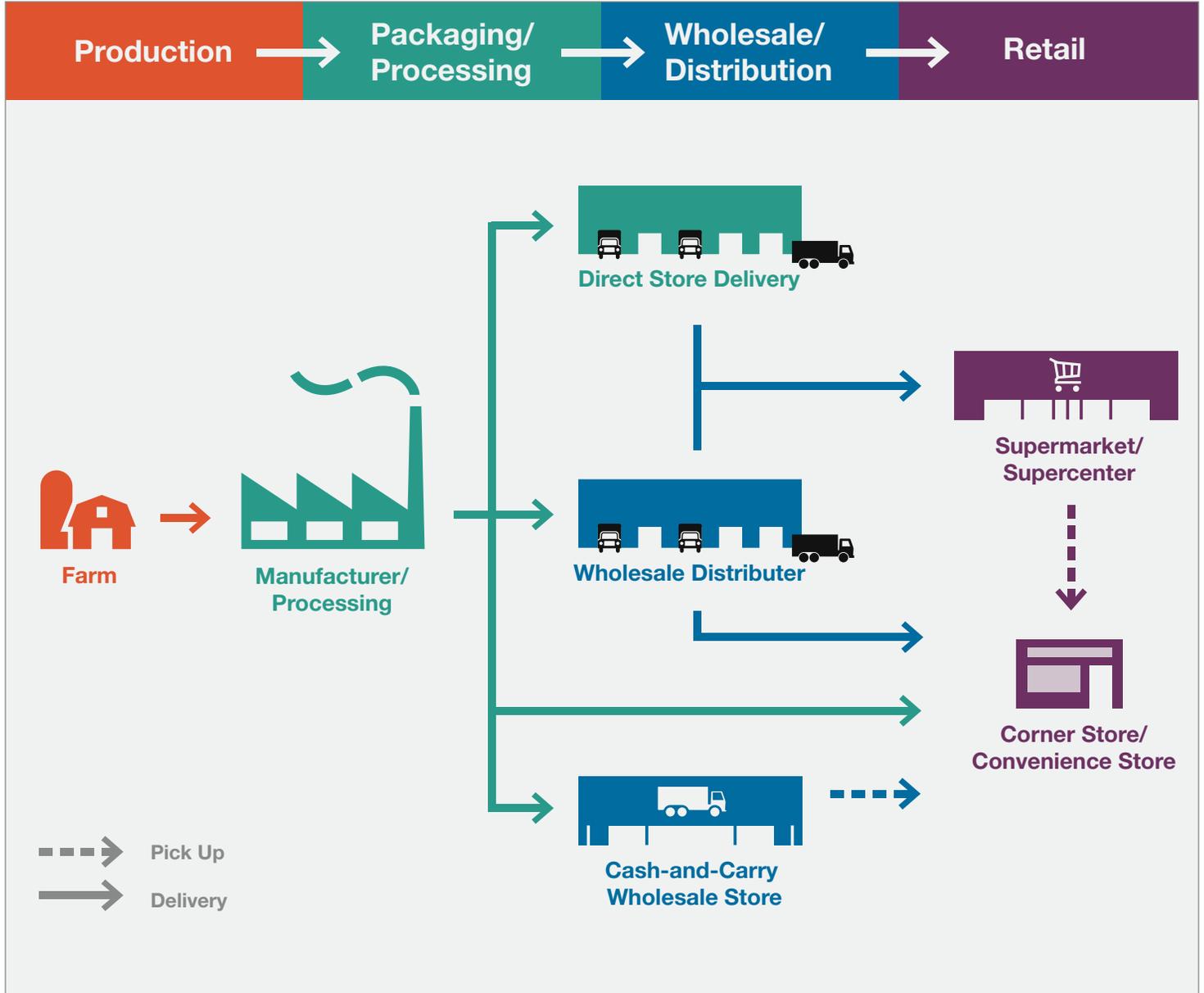


Suppliers that Provide General Grocery Items

Type of Supplier	Description	Price Range	Stores Served
Wholesale Markets <i>(stores pick up from a warehouse location)</i>			
Cash-and-Carry Wholesaler	A wholesaler that sells out of a warehouse location with no delivery. Store owners travel to these warehouse stores and pay for items they pick up. These wholesalers are specifically geared toward small and independent retailers, and offer prices that are better than retail prices but higher than large grocery distributors, which primarily deal in higher volumes. Some of these wholesalers require customers to purchase a membership.	Mid	Corner Stores Small Food Retailers Grocery Stores
Wholesale Club	A retailer that sells wholesale quantities. These club stores, like Sam's Club or Costco, are generally considered retailers because they are open to the public (membership required). However, many small businesses shop at these club stores; clubs offer flexible quantities and prices that are often better than retail prices but generally more expensive than wholesale.	Mid to High	Corner Stores Small Food Retailers
Wholesale Grocery Distributors <i>(delivery from an intermediate warehouse)</i>			
Grocery Wholesaler	A wholesaler that acquires food and grocery items from multiple manufacturers or suppliers and then sells and delivers items to independent supermarkets, chain stores, and food retailers on military bases. Generally, grocery wholesalers sell in high volume at low prices.	Low to Mid	Independent Supermarkets Grocery Chains Small Food Retailers (less common)
Cooperative Wholesaler	A wholesaler owned by independent retailers that makes purchases for and provides services to those retailers. Member stores must be able to invest a set amount of capital in order to join the cooperative and access wholesale pricing. Some cooperative wholesalers have programs to service nonmember stores, often with a limited selection of products or less competitive pricing.	Low to Mid	Independent Supermarkets Grocery Chains Small Food Retailers (less common)
Voluntary Wholesaler or Volunteer Association	A wholesaler that supplies goods to a group of independent or chain retail stores. The wholesaler and stores maintain separate ownership but voluntarily enter into a preferred arrangement similar to that of cooperative wholesalers. Stores in such a group often do business under a common name and engage in joint advertising. Prices tend to be competitive wholesale prices with some variation between stores and service areas.	Low to Mid	Independent Supermarkets Grocery Chains Small Food Retailers (less common)
Manufacturer-Based Distribution <i>(direct delivery from a manufacturer)</i>			
Direct Store Delivery (DSD)	A distribution system in which a manufacturer (such as Frito-Lay or Pepsi) delivers products directly from factory to store without passing through a separate wholesaler. This type of distribution is used primarily to maintain marketing control of branded products that tend to sell quickly. With DSD, the manufacturer often manages in-store marketing, such as shelf inventory and display, with varying degrees of retailer oversight. DSD can provide small and independent stores with brand-name items in a range of food categories, including potato chips, soft drinks, beer, dairy products, deli meats, bread, and baked goods. Pricing can be competitive because no wholesaler is involved. Manufacturers can also drive sales of branded products by offering marketing and incentives, such as equipment, to store owners—sometimes in exchange for agreements to place products or in-store marketing in specified locations.	Low to Mid	Corner Stores Small Food Retailers Independent Supermarkets Grocery Chains

Small and Independent Grocery Supply Chain

The diagram below shows a few of the primary supply avenues in a local food supply chain for general grocery items. It's important to note that many supply arrangements defy the neat supply chain "from farm to processor to wholesaler to store." For example, with direct store delivery, the manufacturer owns the supply chain from factory to store shelf, bypassing wholesalers. And increasingly, retailers are sourcing directly from farmers, skipping the manufacturers and wholesalers altogether.



Steps to a Healthy Supply Chain: Lessons from Shop Healthy NYC

Shop Healthy NYC aims to increase access to healthier foods by improving food retail options, particularly in high-need neighborhoods. To change both supply and demand, Shop Healthy NYC has developed a three-pronged initiative focused on retailers, suppliers, and customers. The retailer component recruits grocery and small-store owners to make feasible and impactful changes to the inventory, promotion, and placement of healthier foods in their stores. The supplier component asks suppliers to identify and implement strategies for increasing sales of healthier products to retailers. Finally, the customer component engages local residents and groups to build community interest and support retailers in maintaining a selection of healthier products through an “Adopt a Shop” program.

For more information about Shop Healthy NYC, visit their website: www.nyc.gov/html/doh/html/living/shophealthy.shtml

1. Start with Retailers and the Community

Since 2005, the DOHMH has been working to improve more than 1,000 supermarkets and approximately 8,000 corner stores in New York City. The program works intensively in a few priority neighborhoods for a year at a time. Outreach staff offer stores technical assistance, training, free promotional materials, incentives, and kitchen equipment to help retailers stock and prepare healthier foods. Staff also encourage community residents and neighborhood organizations to support neighborhood stores and become local ambassadors for healthier foods. Community groups are invited either to “Adopt a Shop” or to support the program by promoting existing healthy retail outlets in the neighborhood. A base of retailers and residents that are already interested in healthier foods can incentivize suppliers to expand their business into new areas and untapped markets.

2. Investigate Retailers' Purchasing Habits and Challenges

Once the program had established relationships with retailers, Shop Healthy NYC staff asked store owners about the challenges they face in getting healthier options on their shelves. Staff discovered that many store owners lacked the information necessary to order healthier options. Owners weren't familiar with certain size and quantity restrictions, and they often didn't know which products qualified as “healthier.” And many didn't know which suppliers provided healthy options. Staff dug deeper, primarily through surveys with store owners. They asked about the specifics of how store owners acquired products (e.g., warehouse pickup or delivery to the store), the frequency of deliveries, marketing and price incentives offered by suppliers, and the specific suppliers store owners worked with and why. This research laid the foundation for an analysis of the local food supply chain.

Grocery Wholesaler Success Story: Krasdale Helps Shoppers Make “Good Choices”

Shop Healthy NYC contacted the vice president of government relations and retail services at Krasdale Foods, an independent grocery wholesaler headquartered in New York. In initial meetings, the vice president listened to Shop Healthy NYC's ideas, reviewed the program's marketing materials, and offered constructive feedback on the program's promotional strategy. Shop Healthy NYC staff emphasized that Krasdale had the opportunity to generate a new revenue stream by moving more healthy products—products that Krasdale already had on the shelves but was not promoting to its customers.

Through these conversations, a preliminary set of feasible options for partnership emerged. From there, the partners identified specific tactics. Krasdale agreed to produce Shop Healthy NYC's marketing materials—including signs and decals—and distribute them to all their affiliated stores. They also agreed to help gather information on Krasdale products that met the city's “Good Choice” nutrition guidelines, and promote those products in their biweekly order book, on their website, and through their mailing list. Lastly, Krasdale created five 10-second ads in their stores to deliver Shop Healthy NYC messages about shopping for 100 percent whole wheat bread, low-fat milk, low-sodium canned vegetables, fruit canned in 100 percent juice, and water.

In addition to promoting healthier products, Krasdale also provided Shop Healthy NYC with access to their technical assistance staff. These employees provide sales and promotional support to every client store in the New York City metropolitan area. Technical assistance staff include retail counselors, who deal with large supermarket accounts, and sales associates, who interact with small stores. Krasdale staff provided feedback that helped to inform Shop Healthy NYC's promotional strategies and align them with traditional supermarket practices around promotion, pricing, and placement. The vice president also set up sales reports to measure the impact of the Shop Healthy NYC program.



3. Identify High-Impact Suppliers

Shop Healthy NYC found that the majority of stores in their focus neighborhoods purchased food products from two major wholesalers: Jetro and Krasdale. Jetro is a cash-and-carry wholesale store where retailers select, pay for, and transport their own merchandise orders. With a clientele made up of mostly small food retail stores, Jetro services the vast majority of corner stores in NYC. Krasdale is a voluntary distributor, meaning that it supplies independently owned small businesses and allows them to operate under a well-known trade name or banner (in this case C-Town, Bravo, AIM, and Shop Smart). There are approximately 800 bodegas and 300 supermarkets in New York City that receive products from Krasdale. Because so many customers work with Jetro and Krasdale, these suppliers were obvious choices for partnership.

4. Identify Existing Healthy Products and Develop a Logo

To address retailers' challenges in identifying healthier choices and encourage them to purchase healthier options from wholesalers, the Shop Healthy NYC team drew from existing public-health nutrition initiatives. The NYC Food Standards, developed by the DOHMH, outlines nutrition criteria that identify healthy foods in a specific category. Using these nutrition criteria, Shop Healthy NYC recognized existing healthy products in each supplier's inventory and highlighted them with the accompanying "Good Choice" logo.

Shop Healthy NYC staff placed the logo on the shelves at cash-and-carry outlets and have returned over time to ensure the logo is being used correctly. The logo serves to help suppliers and retailers quickly identify healthier items, and it can appear everywhere suppliers sell their products, including wholesale warehouse shelves, catalogs, and order sheets. This logo has become the centerpiece of some of Shop Healthy NYC's most successful marketing interventions with suppliers.

5. Develop a List of Supplier Interventions

To develop a strategy for intervention, Shop Healthy NYC needed to better understand the structure of the wholesale food industry and the different types of wholesale business models. Talking to suppliers and retailers, the team learned about a host of industry practices, from product promotion to planning shelf layout. Using this understanding of the industry, Shop Healthy NYC built a list of potential interventions, or "asks," for suppliers (see page 8). The asks focused on helping retailers procure healthier foods, providing price or discount incentives, and supporting in-store marketing of healthier options.

While it is likely that a supplier will agree to only one or two interventions, Shop Healthy NYC staff have found that providing many options allows suppliers to more readily find an approach that works for their specific business operation and market conditions.

Cash-and-Carry Success Story: Jetro Cashes In on Carrying Healthy Items

Jetro is a cash-and-carry wholesaler that serves the majority of corner stores (locally known as bodegas) in New York City. To make it easier for store owners to find healthy items, Shop Healthy NYC reached out to Jetro's regional director of marketing. Shop Healthy NYC approached Jetro with two goals: to identify healthy items currently in their inventory and to determine the level of support Jetro would be willing to provide to help promote these products. Shop Healthy NYC staff were able to convince Jetro that there was significant unmet retailer and consumer demand for healthier products. Making the business case in terms that resonated with the wholesaler was critical to establishing the partnership.

The response from Jetro was to create magnets, banners, and posters featuring the Good Choice logo to mark items that met the city's nutrition guidelines. Shop Healthy NYC staff were granted access to all five Jetro warehouses in New York City to post the magnets next to food items that met the Shop Healthy criteria. Jetro also agreed to hang banners and posters in each warehouse to introduce store owners to the Good Choice logo as the symbol for healthier options.



6. Evaluate Interventions

Shop Healthy NYC is interested in documenting how changes at the distributor level affect store owner ordering and ultimately customer purchasing patterns. For distributors, outside requests for sales data can be unusual. This means that even the most supportive partners may have a hard time providing the kind of data needed to assess a program's impact. Although Shop Healthy NYC partners have been willing to share data, systemic constraints have made it difficult to collect that data in a format that is useful for evaluation purposes. Shop Healthy NYC and their business partners hope to collect data during the next round of interventions in a format that will demonstrate impact.

Gathering sales data on healthy products helps demonstrate the effectiveness of an intervention in the retail environment. While challenging to collect, this information can be a powerful tool in successful future negotiations with suppliers. It can also be an important resource for evaluating the most effective ways to change store ordering and customer purchasing patterns.



Building a Relationship with Suppliers

How should advocates of healthy food retail initiate partnerships with suppliers? The first thing to remember is that suppliers are businesses operating in a very competitive environment. Interventions that highlight opportunities to increase a supplier's customer base or sales are more likely to succeed than those that focus solely on social concerns or lowering prices. The following are some suggested angles for approaching suppliers:

- **Expand market share:** Small and independent retailers, particularly ones that are changing their inventory, represent a new or untapped market for large suppliers, particularly wholesale distributors. Healthy food retail programs can reach out to small stores and community residents in a way that suppliers often cannot afford to do.
- **Promote healthier products:** Suppliers may already carry healthier products. Partnering with healthy food retail programs can help promote and increase sales of these items.
- **Increase visibility:** Partnering with a healthy food retail program can build recognition and trust of wholesale businesses in a competitive and crowded space.

The second thing to keep in mind is that staff at suppliers are often away from their desks and can be difficult to reach. Taking the time to build relationships with key staff can be critical to the initiative's success. The following strategies can help advocates initiate and sustain strong relationships with suppliers:

- **Ask retailers to make connections:** Often, retailers themselves can be a point of entry to begin discussions with suppliers. Ask participating store owners if they can facilitate contact with one of their suppliers.
- **Be patient and persistent:** Staff at distributors and wholesalers work in a fast-paced environment, so even solid contacts may take several weeks to respond. Building strong relationships requires friendly, consistent communication and follow-up.
- **Do your homework:** Suppliers tend to respond better to requests supported by data and information. Collect data that show the effect suppliers can have in the retail environment and how changing practices can help support their bottom line. Sharing valuable market information, such as unmet demand for food retail within the suppliers' service area, also reflects the value of the partnership.

Delivering the Pitch to Suppliers

Suppliers can support the marketing of healthier foods in many ways. The following table identifies the types of marketing interventions suppliers can make in the retail environment: product selection, price, promotion, and placement. Many of these interventions are relevant to suppliers; however, it’s important to note that manufacturers have a greater ability to make concessions on price than wholesalers, which are often constrained by narrow profit margins. Work with your suppliers to choose the strategies that work best for their business model and bottom line.

Supplier’s Marketing Tools	Description	Healthy Intervention (the “ask”)
Product Sourcing and Selection		
Order Book	An order book is a printed book and/or online catalog of a supplier’s products. It can be difficult for store owners to identify healthier products in order books.	Label healthier choices in the order book and/or create a page devoted to healthier items.
Warehouse Labeling and Arrangement	At cash-and-carry wholesalers, store owners must navigate vast warehouse corridors to find products. Often, healthier choices are not labeled or are scattered throughout the site.	Clearly label healthier items using banners, shelf talkers, or other signage. Consider grouping healthier options together.
Product Selection	The products wholesalers carry are determined through manufacturer relationships and contracts in addition to store and consumer demand. Market research, industry projections, and manufacturer incentives can also influence the products a wholesaler carries.	Increase the number of healthier products offered. (Support this ask by demonstrating that there is retailer and customer demand.)
Pricing and Discounts		
Pricing	Distributors and wholesalers often rely on manufacturers to set pricing, and have little room to offer lower prices. However, manufacturers and direct store delivery distributors may have more control over pricing. A small difference in wholesale price can lead to a significant price difference in the grocery store.	Price healthier items, such as lower-sodium or lower-fat versions of products, at lower prices or the same prices as standard versions.
Coupons	Coupons, like pricing, are primarily driven by manufacturers. Discounts and incentives can be a strong driver to get consumers to try a new product.	Promote healthier products through a limited-time coupon.
Sell Sheet	Sell sheets are one-page promotions highlighting one or two products that are temporarily discounted. Sell sheets are generally geared to move excess products or reflect discounts or incentives from the manufacturer. The supplier often includes a sell sheet with a customer’s order.	Highlight and promote items that meet health standards.
In-Store Promotion and Placement		
Shelf Talkers, Inserts, and Decals	Every inch of shelf space in a store is a marketing opportunity. Shelf talkers, inserts, and decals with logos or descriptions can be placed on shelves to help shoppers identify healthy products. These marketing materials can also include brief nutrition tips. Distributors often already produce these marketing items for partner stores.	Offer marketing material to promote healthier choices.
In-Store Audio Announcements	Distributors, particularly cooperative or voluntary associations, often produce in-store audio ads or announcements that play over the grocery PA system and alert shoppers to current specials or deals.	Produce a short audio ad alerting shoppers to healthier labels and available items.
Planograms and Product Placement	Product placement is a highly valued marketing tool. Many distributors, particularly direct store delivery distributors, develop a planogram, a diagram based on extensive market research that determines where each product will be placed on the shelf. Direct store delivery distributors often follow these predetermined planograms when they stock products. For some delivery regions, the planogram may not include any healthy options.	Create healthy planograms that include healthier foods and beverages that are displayed at eye level to encourage impulse purchases of these items.
Samples and Demos	Samples and cooking demonstrations are an effective way to get shoppers to try new products. Manufacturers generally offer sampling or demos when they launch a new product.	Provide samples and conduct cooking demos (by the distributor, manufacturer, or by another program partner).
Other Technical Assistance	Some distributors have architects on staff who help with in-store design or redesign. Others may offer trainings on marketing or inventory. These additional services are often listed on the distributor’s website. Research first and then develop your ask.	Provide services that help retailers to identify, promote, and sell healthier foods—think outside the box!

Moving Forward

New York is not alone in moving up the supply chain; other cities are using similar programs and strategies:

- In Philadelphia, The Food Trust has partnered with local wholesalers to help corner-store owners identify healthier items through signage and advertising in the wholesalers' circulation. The wholesalers also provide corner-store owners the opportunity to tour a wholesaler facility and reward their participation in the program.
- Healthy Retail SF, San Francisco's healthy retail program housed in the Office of Economic and Workforce Development, collaborates with the San Francisco Department of Public Health to work with local produce suppliers. They brokered a relationship with the San Francisco Wholesale Produce Market, the largest cash-and-carry wholesaler in the city, to support healthy corner stores.
- Multnomah County, Oregon, regularly evaluates the county's food distribution system in order to identify effective points of intervention.
- In Los Angeles, the Food Policy Council has developed a resource guide with information about vendors. The group also assists in brokering vendor relationships for neighborhood markets seeking to sell produce or other healthy food items.

Sharing information and developing best practices will be important as this work with suppliers continues to develop. New York's efforts have already yielded some promising successes as well as lessons that may be useful to other programs as they implement similar strategies.

Summary of Lessons

- **Understand the retail environment:** Before initiating relationships with suppliers, advocates should have a strong understanding of the retail environment, including what types of stores exist, community health metrics and purchasing behavior, and major challenges and issues related to sourcing and selling healthier foods. For example, perhaps there is a mismatch between the healthier foods available and the foods people would prefer to buy. Or perhaps store owners do not have a clear understanding of what products are actually healthier.
- **Understand and leverage customer demand:** Store owners may believe that their customer base is uninterested in healthier products. Advocates should develop a clear understanding of the types of products community members wish to buy and demonstrate this demand to retailers.
- **Work with retailers to understand suppliers:** The program should identify priority areas and store types. Some programs may focus on liquor stores and corner stores; other programs may target a mix of stores, ranging from dollar

stores to small full-service groceries. Depending on the type of store and its location, the suppliers may be entirely different. Advocates should have a clear understanding of the retailer/supplier relationship.

- **Build relationships:** The food supply business is fast-paced, and even the most supportive managers can be hard to reach. Having patience and being willing to build an ongoing relationship with suppliers' staff are key to developing meaningful changes in practice.
- **Gather data:** Ensure that the program is collecting data throughout the process. Presenting data gathered at the store level can be essential in convincing suppliers to shift practices. Additionally, suppliers themselves are a valuable source of data. Encouraging suppliers to be partners in data collection can support all parties in demonstrating the impact of healthy marketing practices.
- **Collect feedback:** Happy suppliers and retailers are critical to the success and longevity of these interventions. Gathering regular feedback from suppliers and retailers regarding their satisfaction with the program and their suggestions for improvement will help to sustain success.
- **Document success:** Make sure successes are documented, celebrated, and shared. Each success story demonstrates that suppliers can be active partners in bringing healthier foods to all communities.

Partnering with suppliers as part of a healthy food retail strategy can result in changes in business practices that help store owners and shoppers make healthier choices. Implementing changes at the distribution and wholesale level is a promising way to make changes more permanent, beyond the lifetime of a healthy food retail program. This approach fosters a cultural shift within the industry and integrates healthier choices into standard business practice. The more that healthy food retail programs document efforts, share strategies, and collaborate with suppliers, the more powerful and lasting the impact will be along the food supply chain.

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