

# Extreme Value Retail™ in Detail



*A conversation with EVR Solutions' Ken Hartman*

With a word like “extreme” in its name, one might expect a company like EVR Solutions to be a showy, flamboyant, Virgin Airlines-style operation. Not so. According to the company’s thorough, detail-oriented president, Ken Hartman, the only thing “extreme” about EVR Solutions is the triple-digit growth it’s experienced over the last two and a half years. What’s more, Hartman claims there’s also nothing “extreme” about his company’s business strategy. It’s a simple belief in a time-honored formula — find an under-served market and serve it well.

The Extreme Value Retail™ Channel is just such a market. Made up of national and regional chains that sell a limited assortment of dry and perishable grocery products and non-food items at the lowest possible prices, Hartman realized the explosive potential of the market during his time as a senior director at ConAgra in the 1990s. In 2003, he created EVR Solutions to serve this very specialized and sometimes very hard to understand retail channel.

In a recent interview, Hartman explained the inner workings of Extreme Value Retail™ and how his company can help manufacturers make what could be “extreme” profits in this channel.

**Q: Your company coined the term “Extreme Value Retail™.” What does it mean?**

**KH:** We developed the term because there wasn’t anyone out there who was able to describe this very new and very unique selling channel. It was sometimes referred to as “value discount,” but that really didn’t make any sense. We define an Extreme Value Retailer as a retailer with limited square footage who wants to sell their products for the very, very best prices everyday. I wouldn’t define Wal-Mart as an Extreme Value Retailer because they don’t sell for the lowest prices available. ALDI, Save-A-Lot, and Dollar General will typically price their products below Wal-Mart. These three companies are at the forefront of the Extreme Value Retail™ Channel.

### **Q: How would you classify Wal-Mart, Target, etc.?**

**KH:** Supercenters. They may have low prices, but not the lowest. They certainly offer value, but not extreme value.

### **Q: What are the biggest differences between supercenters and Extreme Value Retailers?**

**KH:** There are three main differences. First is selection. Supercenters stock thousands of products in hundreds of categories — eight brands of salad dressing, twelve brands of cookies, etc. Extreme Value Retailers will usually only sell one brand in each category. The second difference is the types of brands sold. Supercenters will feature name brand items, while Extreme Value retailers usually sell private label brands, sometimes manufactured by the same companies that make the name brands. The third difference is store size. Supercenters are constructed to be gigantic buildings that house thousands of products. Extreme Value Retailers set up in locations with relatively low square footage.

### **Q: How can Extreme Value Retailers sell at lower prices than supercenters?**

**KH:** It's true that supercenters can pass savings along to consumers because of the volume they sell, but that's offset by all the money it costs to keep their huge buildings heated and their big support staffs paid. Extreme Value Retailers don't incur those costs because their stores, inventories and staffs are much smaller. They also keep their business simple, which eliminates frivolous operating costs.

### **Q: What's the difference between a product on the shelf of a supercenter and a product on the shelf of an Extreme Value Retailer?**

**KH:** Very little. As I said, the supercenter product may be a brand name and the EVR product may be a private label, and the same company may even manufacture both items. Whatever the case, Extreme Value Retailers are always attempting to duplicate the best products in traditional stores. That's where EVR Solutions comes in. We understand the quality standards demanded by Extreme Value Retailers, and we can help manufacturers design private label products for EVR stores that live up to their guidelines.



**Q: What kind of food manufacturing company should call EVR Solutions?**

**KH:** The ideal company for us is one that is exceptional at the manufacturing side of the business — a company that makes great products. It really doesn't matter how good its sales staff is, if a company is strong on the operational end, EVR Solutions can definitely help them be successful in the Extreme Value Retail™ Channel.

**Q: Does the EVR channel present special problems for traditional salespeople?**

**KH:** When it comes to dealing with Extreme Value Retailers, it's a whole new world for the sales people at most food manufacturing companies. They're usually very good at writing cookie-cutter proposals for Kroger, Albertson's and Wal-Mart. Mainline stores like these are mostly interested in whether you have the right marketing or promotional support for your product. If you do, they'll usually put it on the shelf to test it. However, EVR stores challenge traditional salespeople in ways they've never experienced.

**Q: What ways?**

**KH:** Remember, Extreme Value Retailers are always trying to

duplicate the best items in traditional stores, so they're much more interested in product design than promotional support. With EVR chains, it's all about custom-developed product ideas and unique concepts. As a salesperson meeting with an EVR chain, you have to have a complete knowledge of your client's operations — what ingredients in your product can be changed, how long will it take, how will it affect the price. Where a company like Wal-Mart will stock a manufacturer's canned stew product without a second thought, an EVR chain may ask you to change the cut of the vegetables, or the size of the meat pieces, or the thickness of the sauce. It's a whole different kind of transaction, and we've found that most traditional food manufacturing salespeople just aren't comfortable with it.

**Q: In what other areas is selling product to Extreme Value Retailers a challenge?**

**KH:** Product development is only the beginning. EVR chains also want you to make a good case for why they should stock your product. They want market checks, reports on how similar products are selling at other retailers, justification for pricing, IRI or Nielsen ranking reports, etc. In the EVR channel, you're competing with hundreds and hundreds of people to get your product on the shelf.



**Q: Why is the competition for shelf space so much tougher in the EVR Channel?**

**KH:** Because the inventory is so much smaller. Let's say I'm selling a new variety of cereal to a traditional chain. In most cases, my product would only be competing with other cereals. In an EVR chain, I'd be competing with everything in dry grocery categories across the entire store. *Everything.* In stores like ALDI, Save-A-Lot and Dollar General, I'd have to convince them that my cereal will sell better than an underperforming sauce, canned vegetable or boxed meal currently occupying their shelf space.

**Q: It's pretty obvious that Extreme Value Retail™ is an extremely difficult channel for food companies to get into. How can EVR Solutions help?**

**KH:** The most important benefit we offer is that we really *partner* with a manufacturer and teach them the very specific details that EVR stores require in a product and a proposal. This close working relationship with a client is what sets us apart from every other specialty broker out there.

**Q: Could you talk about that in more detail?**

**KH:** Specifically, we organize our services into three areas. The first is our Manufacturing Development Center, where we help our customers create products, packaging and promotional materials that meet the requirements of EVR chains. The second service area is the Sales Execution Center. I lead this department and use my 19 years of experience in Extreme Value Retail™ to help our customers gain access to the decision makers in the channel. Our third area is the Solutions Service Center, supervised by Marty Hodge. This section of the company focuses on customer service and deals with ordering, shipping, billing and distribution issues. It's these three "pillars" — product development, sales and customer service — that are the keys to our success.

**Q: Your approach seems to be working. EVR Solutions has had triple-digit growth since you opened your doors in 2003. How do you feel about those numbers?**

**KH:** Frankly, the only measure of success I trust is happy clients. And right now, all our clients are happy. Many of them are beginning to recommend us to their friends in the industry. EVR Solutions is getting stronger every day and we're steadily increasing our share of shelf in the top chains of the Extreme Value Retail™ channel.

**Q: That sounds like "extreme" success to me?**

**KH:** (LAUGHS) I guess so.

