



**the  
goodgrocer®**

NOURISHING FAMILIES  
SINCE 1965

# HEALTHY SALES STRATEGY PLAN

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202480-Fall 2024-DSBA-6276-U01-Strategic Business  
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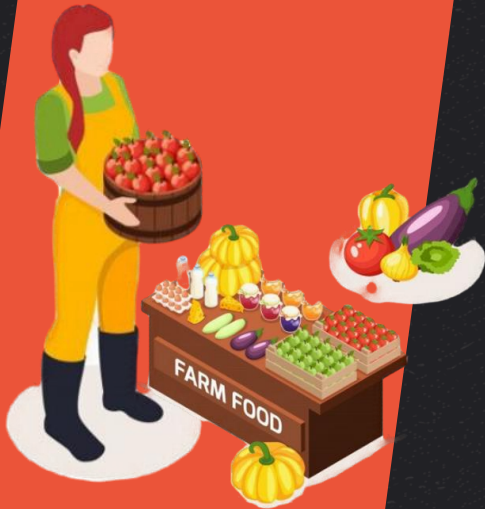
# BACKGROUND & FOCUS PROBLEM





# FOCUS BACKGROUND

The Good Grocer is one of the **USA's top grocery retail company** focused on capturing a larger share of the healthy food market by making nutritious, high-quality products **accessible at affordable prices**.





## FOCUS QUESTION

The core question they are asking our consulting team to solve is:

"How can we **integrate affordability** into our healthy food offerings to boost market share and promote healthier choices?"

We need to understand how this strategy will impact incremental sales, customer behavior, and contribute to **sustained business growth and profitability.**"

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# OUR PRELIMINARY UNDERSTANDING + ANALYSIS

**Goal:** Expand market share in the healthy food sector by making nutritious products affordable.

**Market Potential:** U.S. healthy food market valued at \$1 trillion and growing 5% annually.

**Competitive Edge:** Positioned to capture price-sensitive customers seeking affordable, nutritious options.

**Target Impact:** Drive 20-30% increase in healthy product sales by optimizing affordability.

**Strategy:** Tailored pricing, strategic promotions, and targeted customer segmentation to boost accessibility.

**Outcome:** Enhance customer loyalty, expand market reach, and position as an industry leader in accessible healthy eating.







# MARKET LANDSCAPE

## Customer Demand Analysis

78%

of customers report a preference for **nutritious, organic, and sustainably sourced** products.

65%

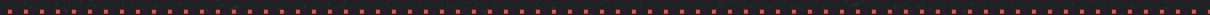
indicate **price sensitivity** as a key factor, limiting purchases of healthier options.

0.6

elasticity score for healthy products, indicating **moderate sensitivity** to price changes in this segment.

10%

**year-over-year growth** in demand for affordable healthy food options, especially among **lower- and middle-income groups**.





# MARKET LANDSCAPE

## Competition Analysis

15%

Market Share in the **health-food segment**

17%

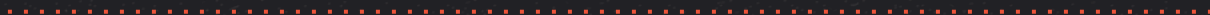
Competitors price health products is at a 17% **premium**

12%

Health-food sector growth annually, outpacing the **9% growth in conventional grocery**

70%

Competitors dominate 70% of the urban market, leaving **35% of suburban/rural markets** open for affordable options



# CUSTOMER SEGMENTATION

Segment Name	Description	Key Variables	Purchasing Behavior
<b>Health-Conscious Budget Shoppers</b>	Budget-sensitive focused = healthier choices	Low-to-moderate income high sensitivity to discounts weekly shoppers	Choose affordable, healthier options; prefer store brands and discount aisles, especially during promotions
<b>Premium Wellness Seekers</b>	High-income prioritizing quality & health	High income, preference for organic, moderate frequency	Seek premium and organic items, willing to pay for specialty items (superfoods, supplements) regardless of discounts
<b>Young Professionals on the Go</b>	Busy professionals seeking convenient healthy options	Moderate-to-high income, frequent shoppers (2-3 times/week)	Opt for grab-and-go health options (salads, smoothies); value convenience and minimal prep time
<b>Eco-Conscious Buyers</b>	Environmentally-minded valuing sustainable products	Moderate-to-high income, preference for organic, moderate frequency	Purchase sustainably sourced, minimal-packaged; prioritize brands with environmental certifications
<b>Family-Focused Savers</b>	Mid-to-low-income families focused on nutritious value	Moderate income, low frequency (typically weekly), bulk purchasing	Seek cost-effective health basics (whole grains, dairy); buy larger sizes or multi packs to reduce cost per unit
<b>Occasional Indulgers</b>	Shoppers mixing health-conscious purchases with indulgent items	Low-to-moderate income, weekend-focused shopping	Purchase essential healthy items but often add indulgences (snacks, sweets) during weekend shopping trips





# FOCUS CHALLENGES

## Affordability vs. Quality

### Higher Costs

Healthy food products, especially those that are organic or sustainably sourced, can **cost 20-30% more to produce** compared to conventional items.

This production cost drives up retail prices, making affordability a core challenge.

### Price Accessibility Goal

The Good Grocer might have to aim to reduce the price premium of healthy items by 10-15% to make them **accessible to a wider audience**, especially targeting lower-income or price-sensitive customers.



# FOCUS CHALLENGES

## Customer Segmentation

### Diverse Customer Needs

Among The Good Grocer's customer base, approximately 40% are price-sensitive, seeking the most affordable options.

However, 35% prioritize quality over cost, often opting for premium products.

### Balancing Affordability and Demand

The Good Grocer might have to aim to reduce the price premium of healthy items by 10-15% to make them accessible to a wider audience, especially targeting lower-income or price-sensitive customers.



# FOCUS CHALLENGES

## Market Positioning

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### Competitive Landscape

The healthy food market, valued at approximately **\$800 billion globally and growing at 7% CAGR**, is increasingly competitive.

Other retailers in this space often command a 20-50% price premium on health-focused products, appealing to **high-income segments**.

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### Differentiation Strategy

The Good Grocer might have to seek to differentiate by offering healthy, affordable options, aiming to capture a larger portion of this market while competing against both **premium health-focused and conventional grocery stores**.

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# RESEARCH OBJECTIVES

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# CORE RESEARCH OBJECTIVE

How can using **affordability as a key metric** to promote healthy food products help a grocery retailer increase sales, attract and retain customers, and boost long-term profits, while staying competitive in pricing and growing in the health food market?

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# RESEARCH OBJECTIVES

- 1 Evaluate the Impact of Affordability on Sales Performance
  - 2 Identify and Profile Price-Sensitive Customer Segments
  - 3 Benchmark Competitor Pricing Strategies
  - 4 Develop an Affordability Metric for Healthy Products
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# RESEARCH OBJECTIVE

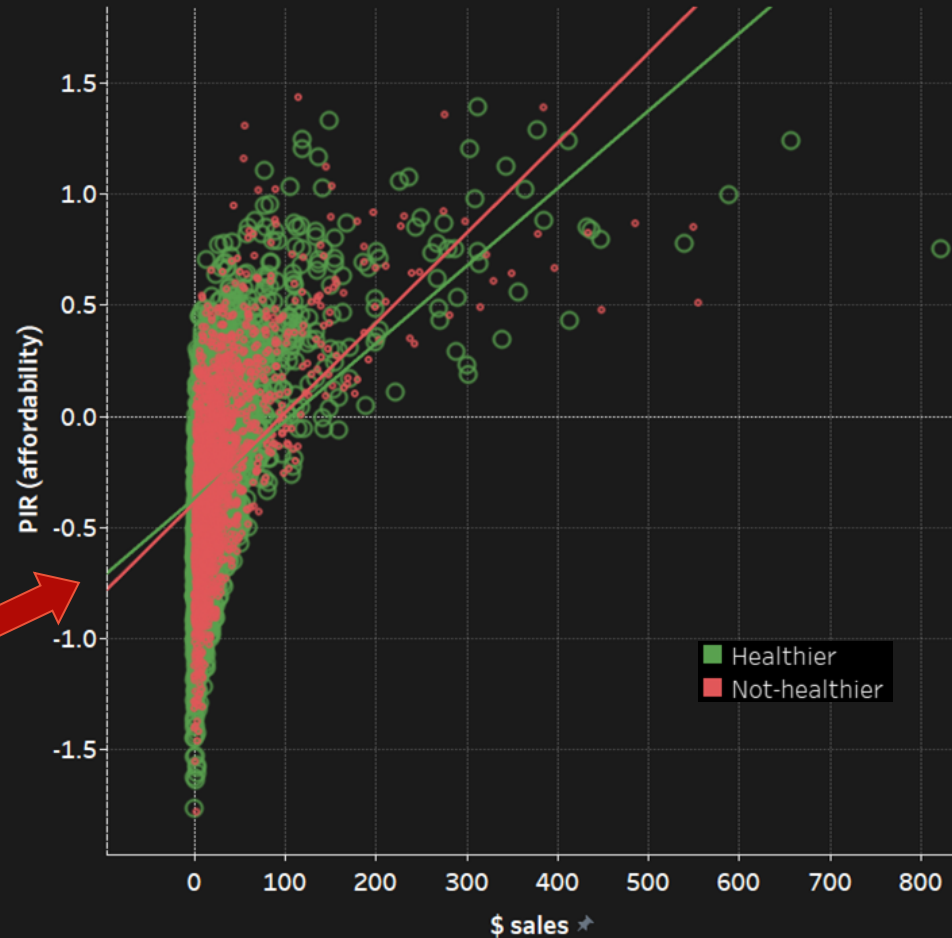
## 1 Evaluate the Impact of Affordability on Sales Performance

The affordability is a key driver of sales performance for healthier items, as indicated by the steeper slope of the green trend line.

As affordability improves (lower PIR values), there is a more noticeable increase in sales for healthier items compared to not-healthier items.

Consumers are more willing to buy healthier items when these products are priced in alignment with average incomes.

Affordability / \$ Sales



# RESEARCH OBJECTIVE

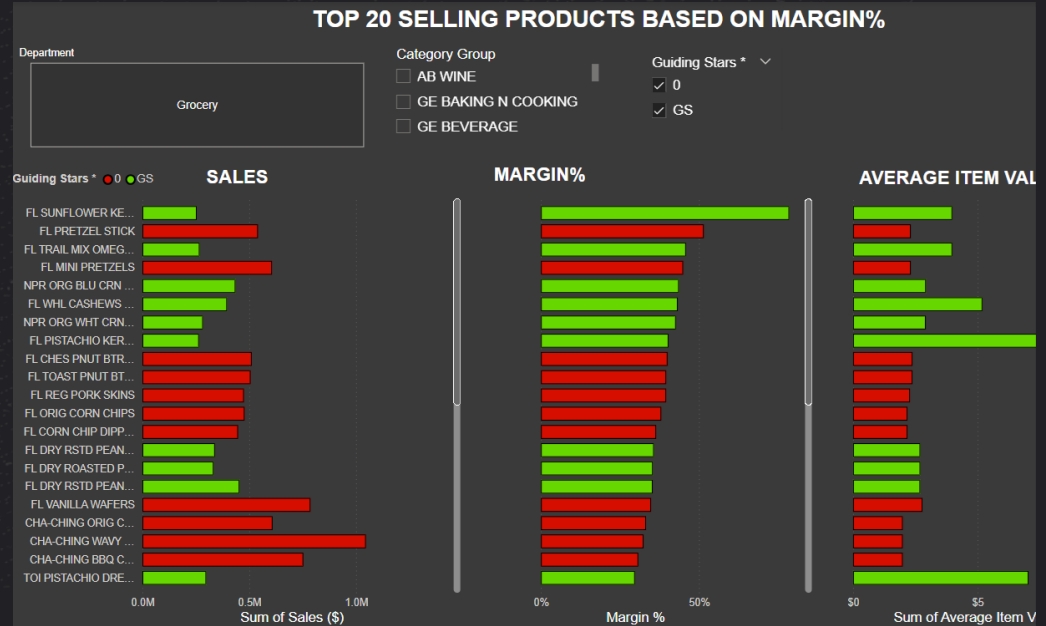
## 1 Evaluate the Impact of Affordability on Sales Performance

### Price Sensitivity for Non-Healthier Items:

The popularity of less healthy items with lower average item values suggests that affordability is a significant driver of sales for these products. Consumers are likely price-sensitive, favoring cheaper snack options despite the lack of health benefits.

### Profitability of Healthier Items:

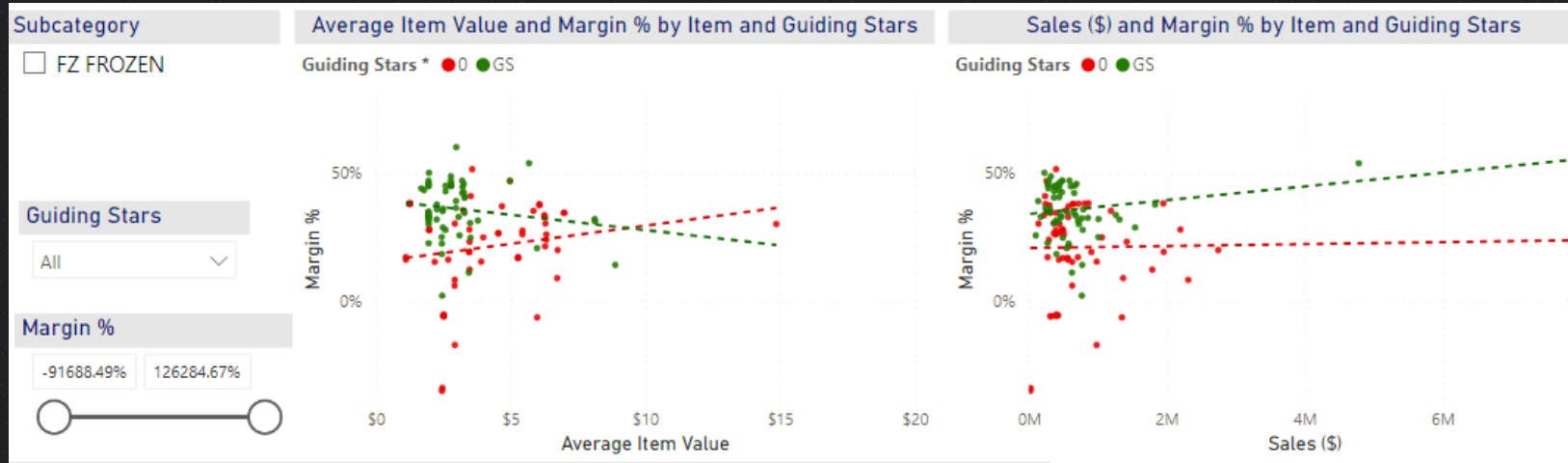
High-margin, healthier products like FL Sunflower Kernels show that consumers are willing to pay a premium for perceived health benefits. This indicates a demand for healthier options when they are positioned as high-value products.



\*numbers masked for data privacy reasons

# RESEARCH OBJECTIVE

## 1 Evaluate the Impact of Affordability on Healthy Sales Performance



### Healthier Items with Higher Margins and Sales:

The positive slope of the green trend line in the right chart indicates that healthier items are capable of achieving both higher margins and higher sales, provided they are priced within an acceptable range.

This suggests that while healthier items may command a premium, consumers are willing to pay for the added value if affordability is reasonable.

# RESEARCH OBJECTIVE

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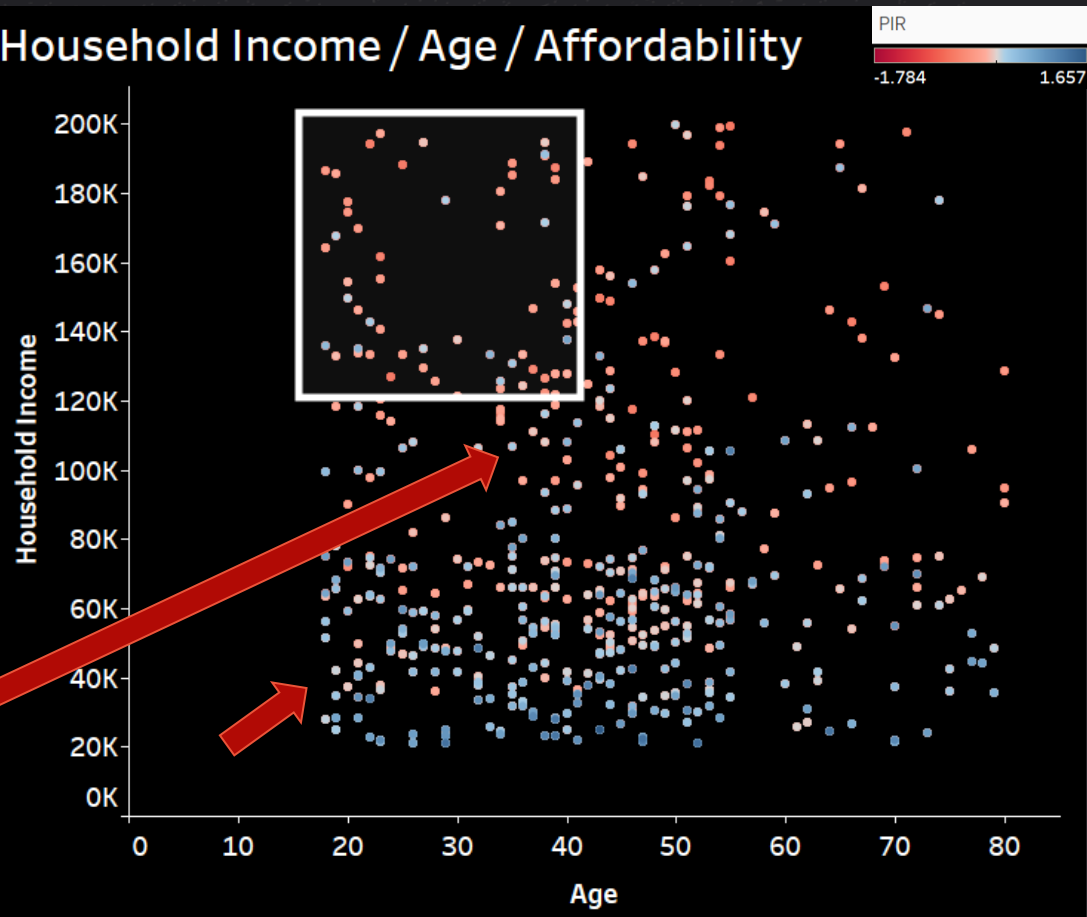
## Identify & Profile Price-Sensitive Customer Segments

This analysis highlights that younger, **low-income consumers** (the cluster near the bottom left) are **highly price-sensitive** and may prioritize affordability over health due to income constraints.

This group's PIR values are generally high, shown by the red or orange points.

In contrast, middle- to high-income consumers are less affected by affordability, allowing them to select healthier options if they perceive them as valuable.

Household Income / Age / Affordability



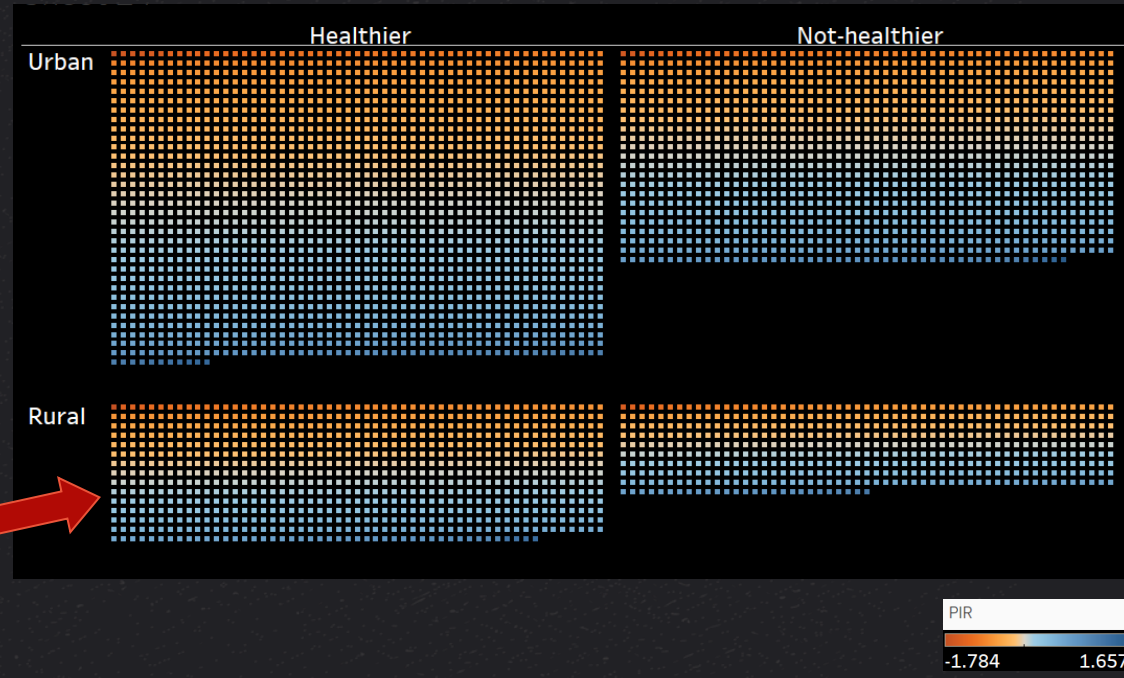


# RESEARCH OBJECTIVE

## 2 Identify & Profile Price-Sensitive Customer Segments

Healthier foods generally show a higher concentration of blue in both urban and rural areas, suggesting they are generally less affordable compared to not-healthier items.

Not-healthier foods in rural areas tend to be more affordable overall than in urban areas, likely making them a more appealing choice for budget-conscious consumers in rural settings.



# RESEARCH OBJECTIVE

## 2 Identify & Profile Price Sensitive Customer Segments

The provided plot visualizes sales data for two product categories (Healthier and Not-Healthier) across different age groups.

A notable trend emerges: a decline in sales for Not-Healthier products in the **middle-aged (35-55) demographic, indicating increased price sensitivity.**

This segment, along with older adults (60+), appears to be **more cost-conscious**, suggesting a willingness to **compromise** on product attributes for affordability.

Sales/ Age/ Healthy category



# RESEARCH OBJECTIVE

3

Benchmark Competitor  Pricing Strategies



## Promotional Pricing:

Frequently offers promotions and discounts, particularly on **fresh produce, dairy, and meats**

These promotions are often highlighted through **weekly specials** and loyalty programs

## Loyalty Programs:

The MVP Customer Rewards program provides **personalized deals** and discounts, encouraging **repeat business and fostering customer loyalty**



## Everyday Low Prices (EDLP):

Walmart has consistently employed an EDLP strategy, aiming to offer **competitive prices** across a broad product range

This approach leverages the company's significant purchasing power to maintain low prices

## Competitive Promotions:

Walmart engages in promotional activities, especially during key shopping seasons

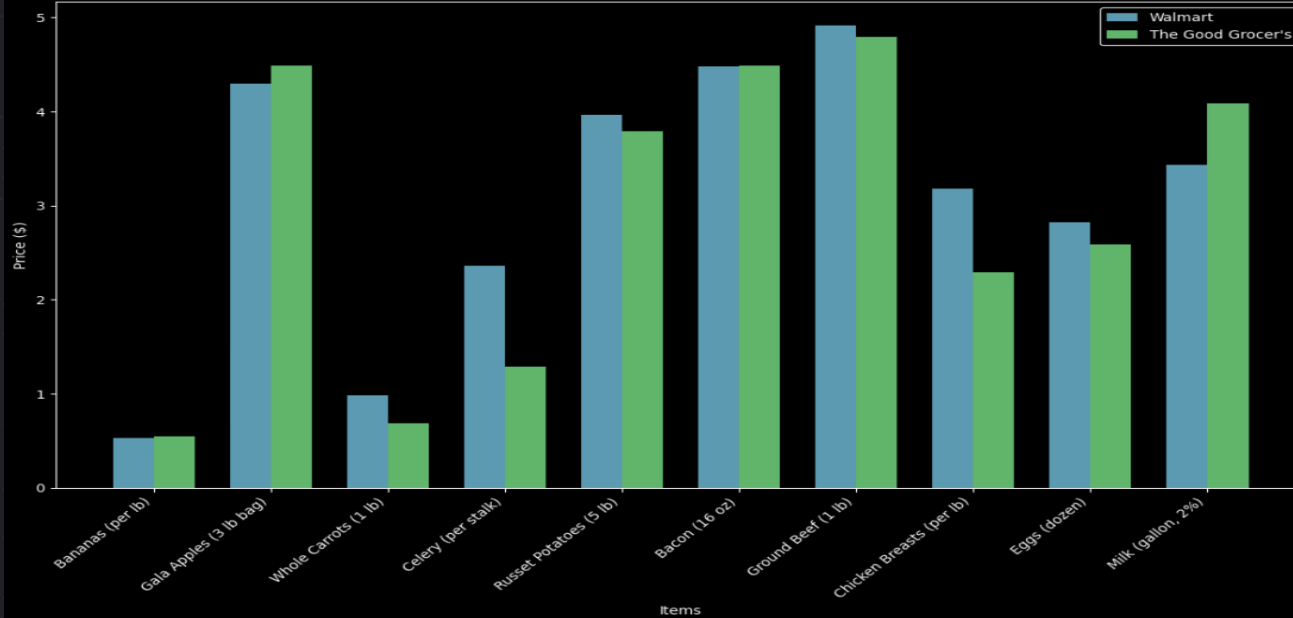
# RESEARCH OBJECTIVE

3

Benchmark Competitor 

Pricing Strategies

Top 10 Most Popular Items Price Comparison: Walmart vs The Good Grocer's



The plot presents a price comparison of **TOP 10 SELLING ITEMS** between Walmart and The Good Grocer. It aims to benchmark competitive pricing strategies and identify areas for improvement.

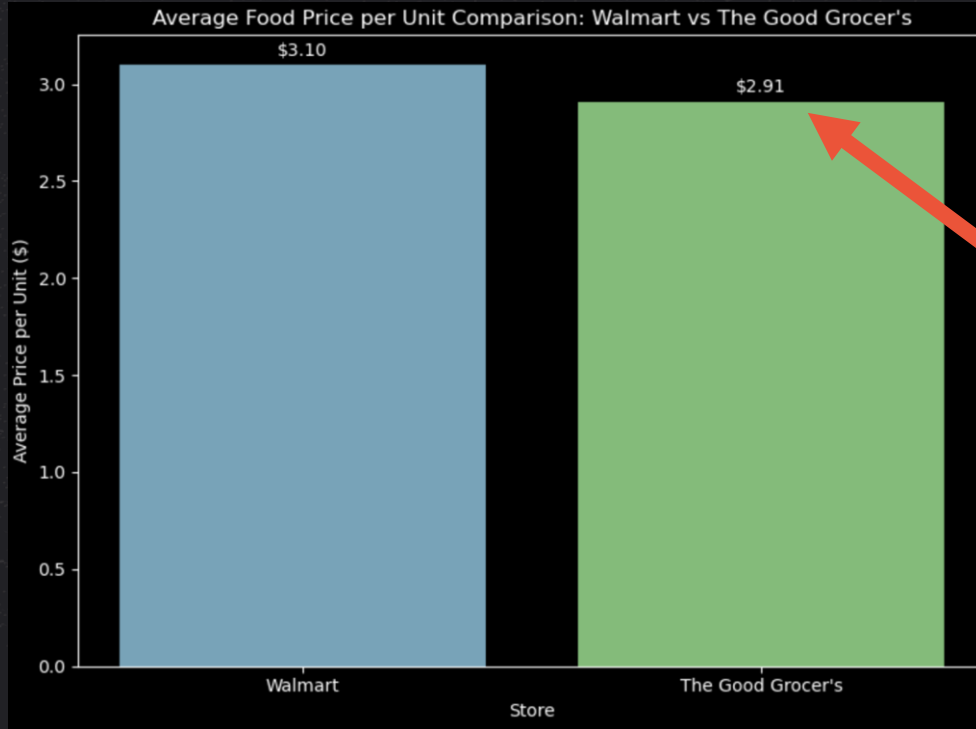
# RESEARCH OBJECTIVE

## 3 Benchmark Competitor Walmart Pricing Strategies

💬 If your main purpose is to purchase mainly **groceries** where should you go?



**the good grocer**®





# RESEARCH OBJECTIVE

## 3 Benchmark Competitor Pricing Strategies

### Market Basket Analysis

Market basket analysis is a powerful data mining technique that helps you uncover the products your customers frequently buy together. By understanding these patterns, you can:

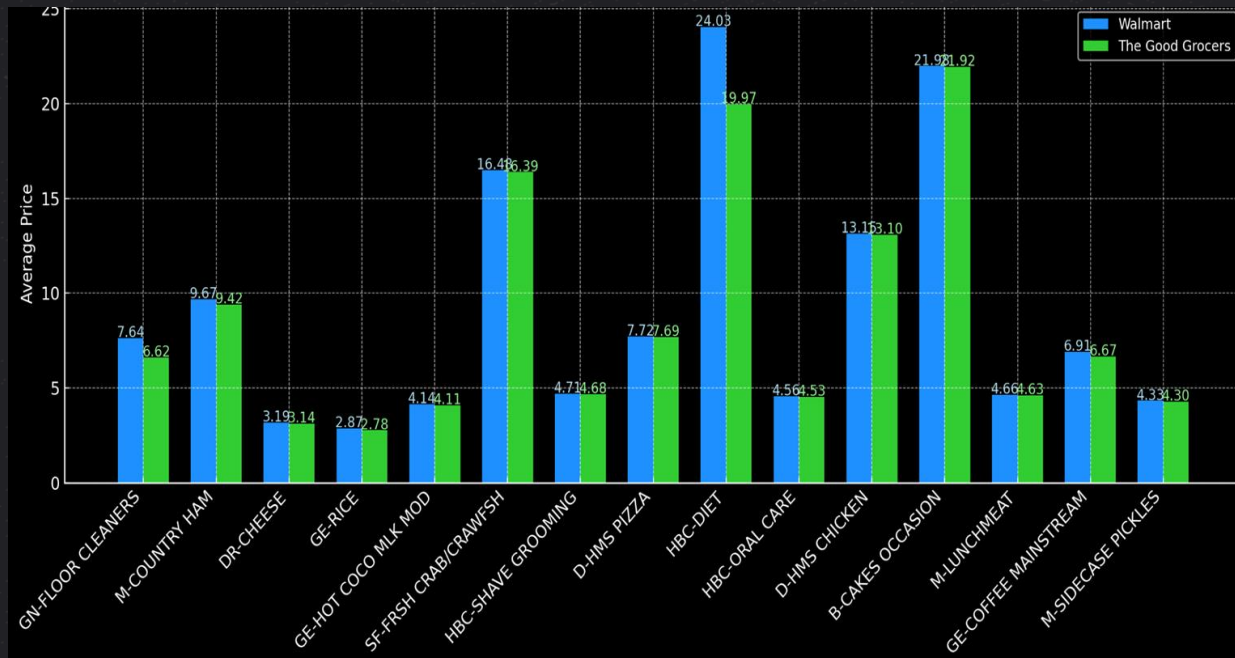
- Create targeted promotions: Offer discounts on complementary products to increase average order value.
- Optimize store layouts: Place related products together to encourage impulse purchases.
- Identify emerging trends: Spot new product opportunities and adapt your inventory accordingly.

# RESEARCH OBJECTIVE

## 3 Benchmark Competitor Walmart Pricing Strategies

### Basket Analysis

Cost Comparison: Good Grocer's vs Walmart



\$12.95



\$13.95

# RESEARCH OBJECTIVE

## 3 Benchmark Competitor Pricing Strategies



### Price Fluctuations

While Walmart's EDLP strategy aims for consistent pricing, it has made notable price adjustments in response to **economic conditions**, such as implementing thousands of price cuts amid inflation.

### Consumer Perception

Walmart's broad price reductions and promotional activities during inflationary periods have positioned it as a value leader, attracting **budget-conscious shoppers**.



The Good Grocer's pricing is more dynamic, with **frequent promotions** leading to price fluctuations.

The Good Grocer's targeted promotions and loyalty rewards appeal to customers seeking deals on specific items, particularly **fresh produce (healthy items)** and meats.

# RESEARCH OBJECTIVE

## 4 Develop an Affordability Metric for Healthy Products

### Price-to-Income Ratio (PIR)

Measures how well product prices align with average household incomes.

A lower PIR indicates that products are more affordable to a broader audience.

$\text{LOG}(\text{Product Price} / \text{Average Household Income}) * 10000$

### Basket Affordability Index

Evaluates affordability by comparing the cost of a typical basket of healthy products to the total household budget, offering insights into overall grocery affordability for customers.

$\% \text{ change in demand} / \%$   
 $\% \text{ change in price}$

### Relative Price Comparison

Compares the price of healthy products to non-healthy alternatives, helping us understand if healthier choices are competitively priced.

$\text{Total basket cost} /$   
 $\text{Average grocery budget}$

### Promotional Sensitivity Index

Assesses the impact of discounts on sales volume, indicating how responsive different customer segments are to promotions.

$(\text{Healthy Product Price} / \text{Non - Healthy Price}) * 100$

# RESEARCH OBJECTIVE

## 4 Develop an Affordability Metric for Healthy Products

### Price-to-Income Ratio (PIR)

Products with lower PIR values are affordable to a broader range of customers, enhancing accessibility and potentially increasing sales volume.

For example, snacks priced with a PIR below 0.01% are well-positioned for average customers, indicating alignment with their spending capacity.

This allows the retailer to confidently position these products as affordable options.

### Basket Affordability Index

If a healthy basket costs under 20% of an average household grocery budget, it's perceived as affordable.

Our analysis shows that baskets priced within this threshold lead to higher conversion rates and promote the purchase of multiple healthy items, thus encouraging repeat purchases and customer loyalty.

encouraging repeat purchases and customer loyalty

### Price Elasticity Demand

For products with high price elasticity (e.g., elasticity > 1), even minor price reductions lead to significant demand increases.

For instance, a 10% price cut on a popular item could boost sales by 20%, supporting customer acquisition and retention.

This suggests that strategic discounts on these items can drive higher sales volumes without drastically reducing profitability.

### Relative Price Comparison

If healthy alternatives are within 10-15% of the price of non-healthy items, customers are more likely to choose them.

Currently, items with a 10% premium over non-healthy options are still competitive but require strong value messaging to ensure market acceptance.

Identifying items with excessive price premiums helps target pricing adjustments.



# RESEARCH OBJECTIVE

## 4 Develop an Affordability Metric for Healthy Products

### Healthier Products Are Highly Price-Sensitive

Lower-income groups are more responsive to affordability improvements for healthier options.

Action: Focus on making healthier options affordable for low and moderate-income segments.

### Not-Healthier Products Show Stable Demand

Sales of "not-healthier" products are less affected by price changes.

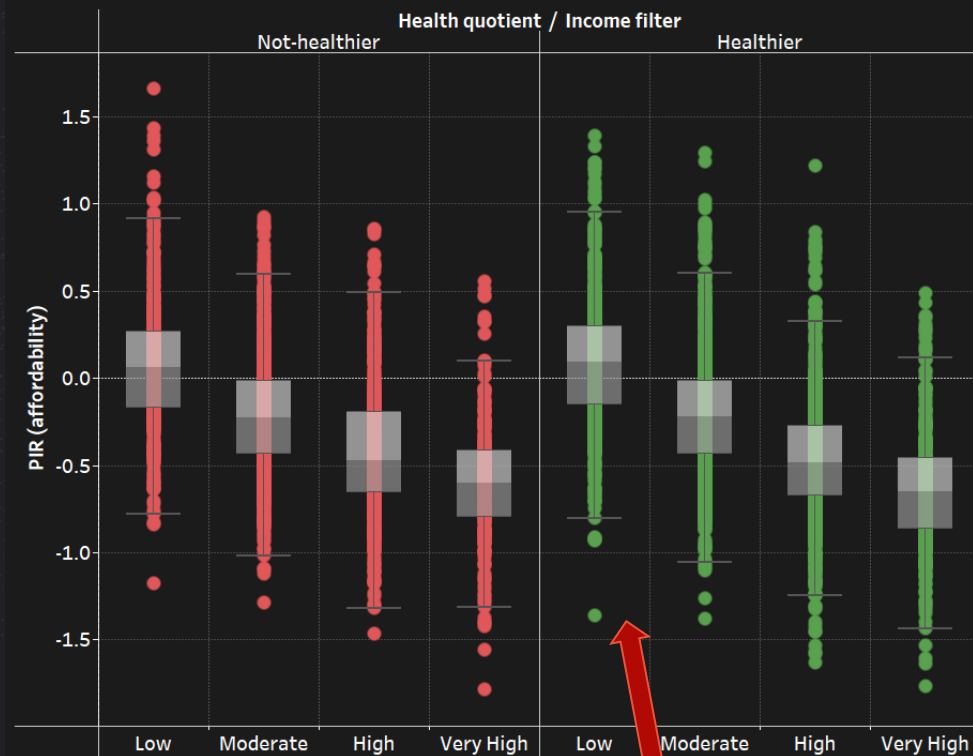
Action: Maintain stable pricing for these items, as discounts may not drive significant sales increases.

### Higher Income Groups Are Less Sensitive to Price Changes

Higher income customers show minimal demand changes with price shifts.

Action: Target higher-income groups with premium pricing based on product value rather than affordability.

### Affordability / \$ Sales



# RESEARCH OBJECTIVE

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## Develop an Affordability Metric for Healthy Products

**Affordability Gap:** Lower-income households face greater affordability barriers, especially for healthier products.

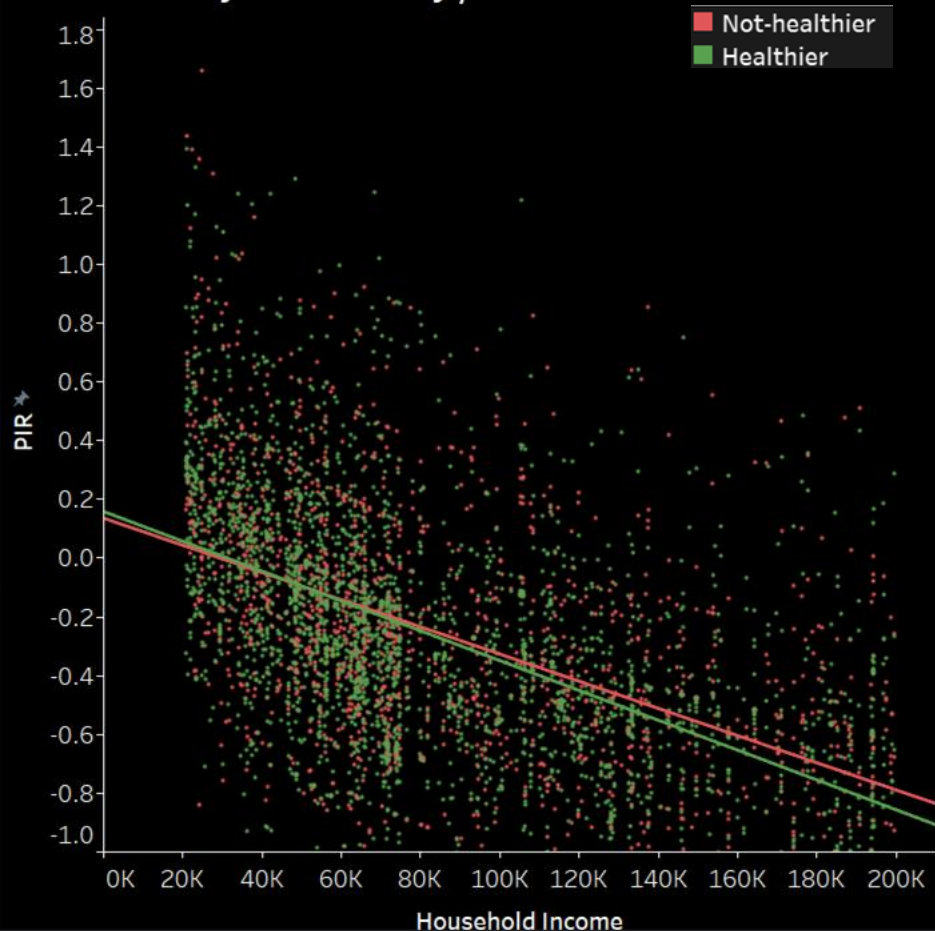
**Steeper Affordability Slope:** Healthier products show a sharper affordability improvement with income (slope:  $-5.075e-06$ ) than not-healthier products (slope:  $-4.625e-06$ ).

**Targeted Impact:** Adjusting affordability for healthier items could make a significant difference for price-sensitive, low-income segments.

**Statistical Confidence:** Both affordability trends are statistically significant ( $p < 0.0001$ ), with income being a meaningful factor in affordability perception.

**Strategic Focus:** Prioritize affordability initiatives for healthier options to increase accessibility and promote healthier choices among low-income consumers.

Affordability Sensitivity / Income



04

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# GROWTH STRATEGY

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# Health Strategy for



## Focus on Affordability for Key Income Segments

Data Insight: Healthier products show higher affordability sensitivity across **low- to moderate-income households**

Action: Adjust prices to **target a PIR of -0.3 for low-income and -0.1** for moderate-income groups, aiming to boost sales conversion by 15-20%

## Strategic Promotions for Incremental Sales

Data Insight: Promotions on healthier products in the **moderate-income bracket** increase basket size and sales

Action: Offer targeted discounts on **popular healthy items for middle-income** customers to increase sales by 12-15% per campaign

## Refine Product Mix to Align with Affordability Sensitivity

Data Insight: Healthier options with **PIR below -0.3 see 20% higher volume** growth in lower-income segments

Action: Prioritize stocking of **high-demand, low-PIR healthy products to capture an estimated 10% uplift** in sales within **low-income households**

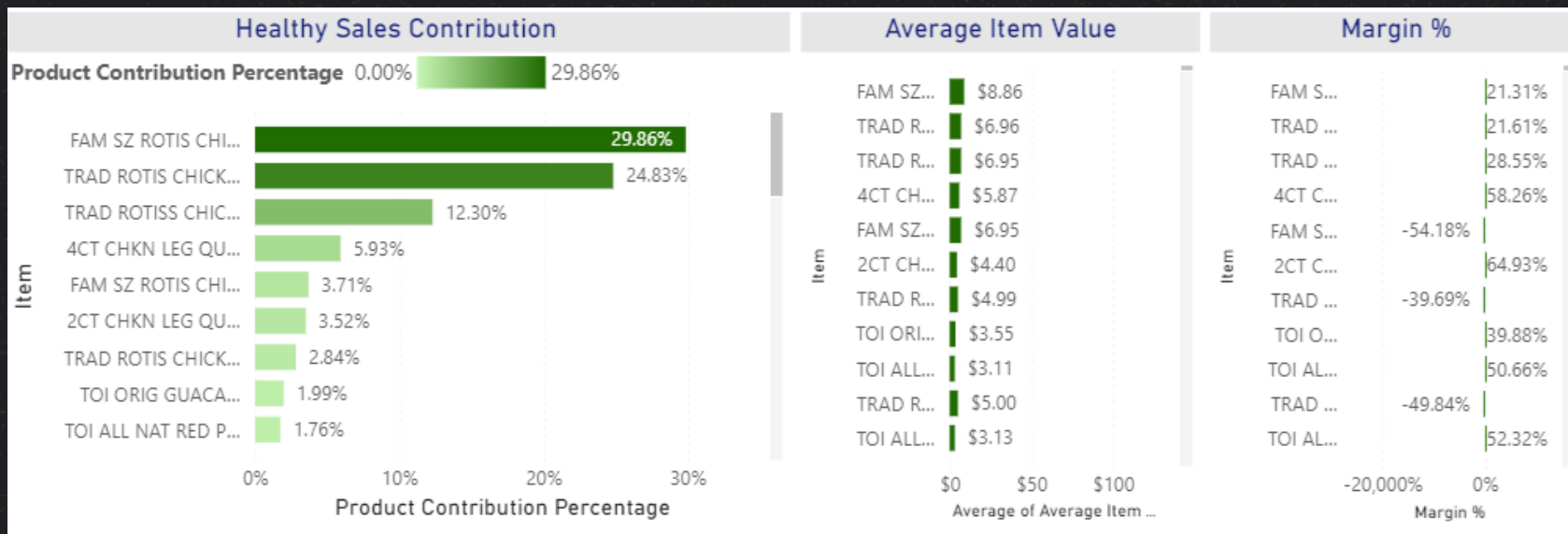
## Expand Customer Base with Affordability as a Differentiator

Objective: Attract 5% new customers in lower-income segments within 6 months by positioning The Good Grocer as the go-to for affordable, healthy food

## Utilize Predictive Pricing for Competitive Positioning

Objective: Attract 5% new customers in lower-income segments within 6 months by positioning The Good Grocer as the go-to for affordable, healthy food

# Leverage High Contribution, Low-Margin Items as Traffic Drivers



Use high-contribution, low-margin items like rotisserie chicken to attract price-sensitive customers who prioritize affordability.

Promote these items as “value deals” through in-store signage, digital ads, and weekly circulars.  
Cross-sell high-margin healthier sides, such as pre-packaged salads, to increase basket value when customers purchase these loss leaders.

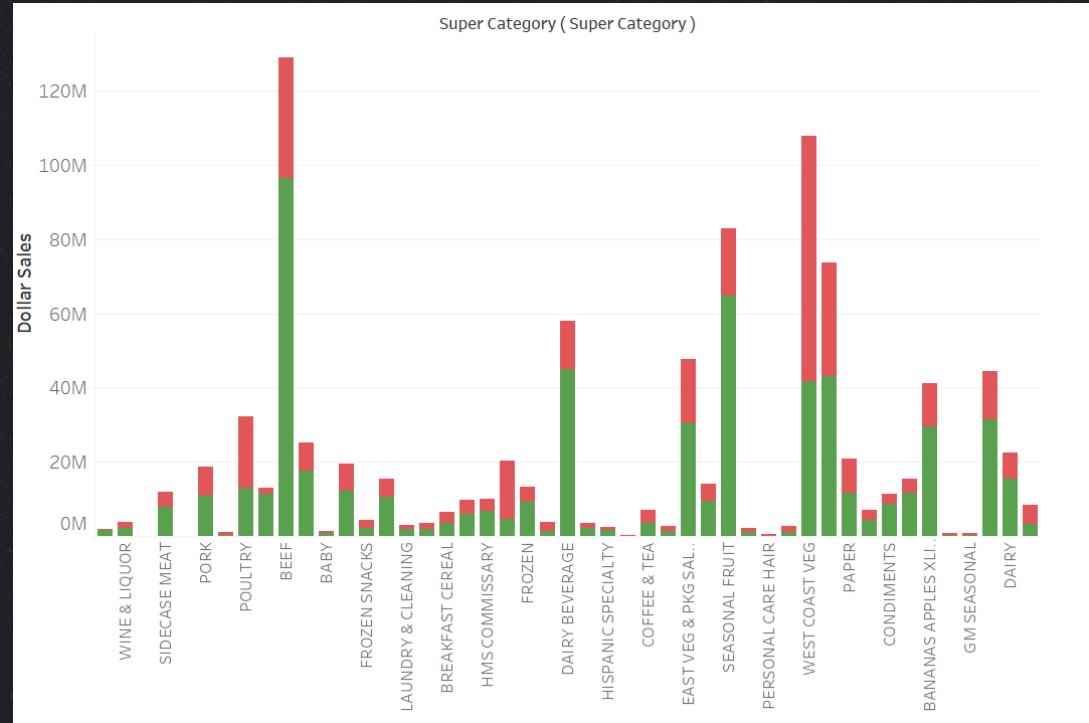


# Develop Bundles Combining Healthier & Not-Healthier Options

Create bundled promotions that mix healthier and not-healthier items to encourage customers to try new healthier options without exceeding their budget.

Pair high-margin, healthier items (like guacamole or salads) with popular, affordable snacks (like chips) to appeal to price-sensitive shoppers.

Offer meal kits that combine ready-to-eat options, such as rotisserie chicken with fresh or pre-packaged vegetables, making it convenient and affordable to eat healthily.



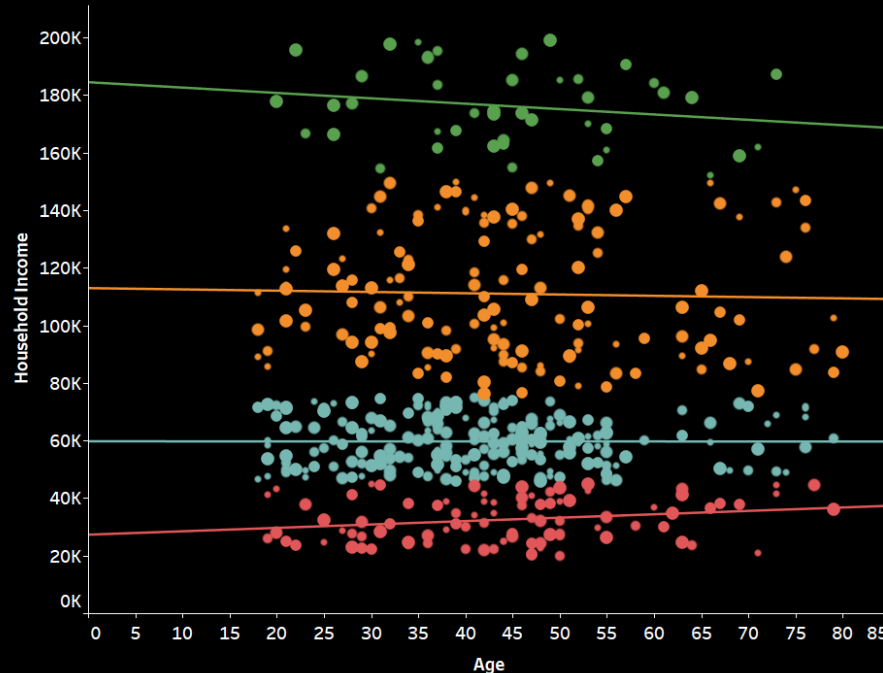
# Segmented Pricing Strategies for Different Income Groups

Cater to different **price sensitivities** across **demographic** segments (younger, lower-income vs. higher-income, health-conscious customers).

For **lower-income** customers, offer **discounts** and **promotions** on high-demand, **healthier** essentials like grains, fruits, and vegetables.

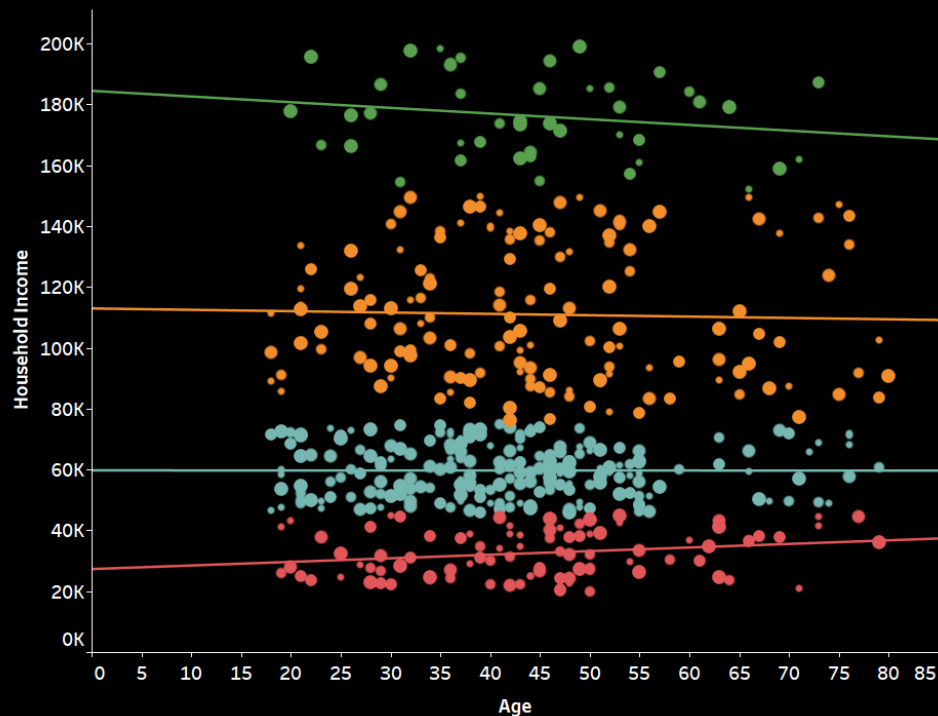
For **higher-income** customers, introduce **premium** healthier options, such as organic or specialty products, focusing on quality and exclusivity rather than price.

Income/age/family size



# Appendix

Income/age/family size



Family Size

- 1
- 2
- 3
- 4
- 5

Income Tier

- High
- Low
- Moderate
- Very High

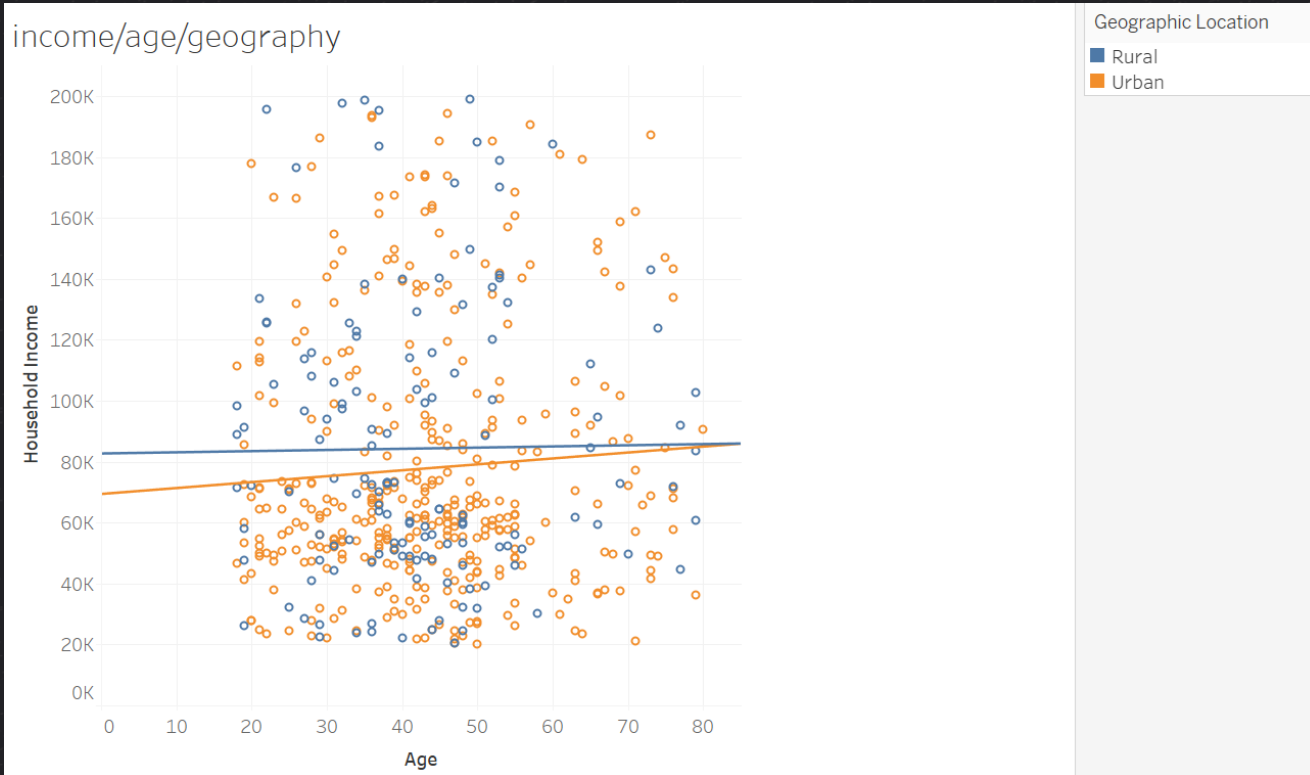
The price sensitivity decreases with income.

Low-income households, particularly young or elderly with larger family sizes, are highly price-sensitive and need affordable healthy options.

Moderate-income households are moderately price-sensitive and open to competitive pricing on healthy foods.

High-income and very high-income households are less sensitive to price and may prefer premium, health-oriented options.

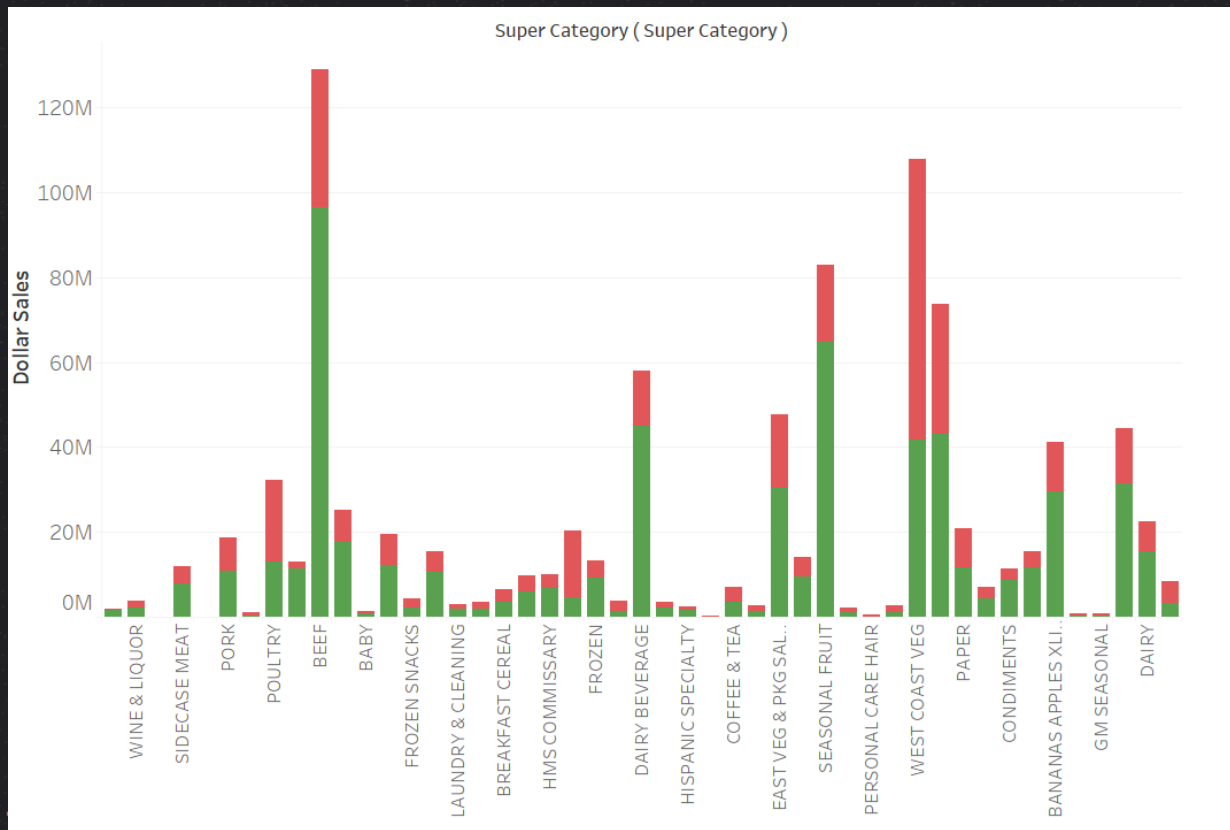
# Appendix



The urban areas have greater income variability, with younger and low-income urban consumers being highly price-sensitive.

In rural areas, incomes are slightly higher on average, but there is still a large segment of price-sensitive consumers, particularly among younger and older adults.

# Appendix

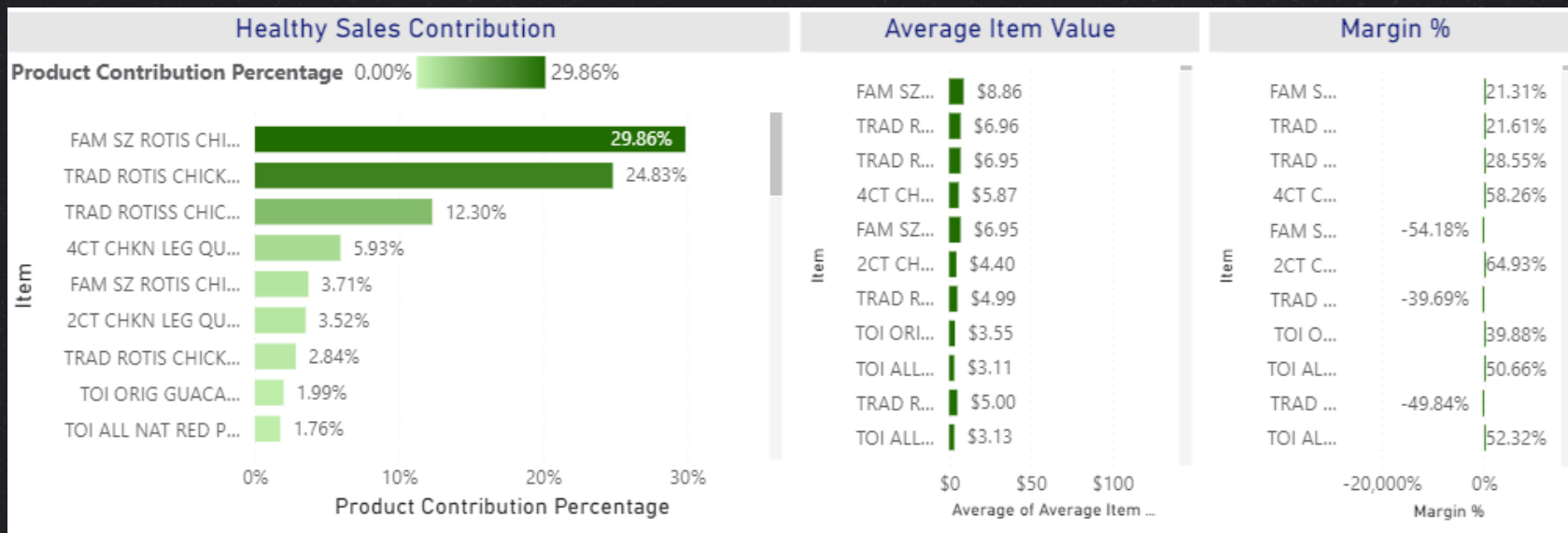


The certain categories are dominated by not-healthier items, while others show strong sales of healthier options.

**Beef, Fruit, East Veg & Pkg Salad, and Dairy** categories have a strong presence of healthier items (green bars) in their sales distribution. By targeting price-sensitive segments with tailored promotions, bundle offers, and educational initiatives, The Good Grocer can encourage healthier purchases without deterring budget-conscious consumers.



# Appendix



**High Contribution, Low Margin:** Items like FAM SZ ROTIS CHICKEN and TRAD ROTIS CHICKEN have high sales contributions but low or negative margins. These items could be used as loss leaders to draw in customers

**High Margin, Lower Contribution:** Items like 4CT CHKN LEG QUARTERS and TOI ORIG GUACAMOLE have high margins but contribute less to overall sales. Promoting these items could improve profitability.



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SINCE 1965

# Thank you!

*"A healthy lifestyle is the foundation for a  
happy and fulfilling life"*