OLIVER’S MARKETS

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ABSTRACT

In September 2005, Oliver’s Markets (Oliver’s) consisted of two supermarkets in Sonoma County, one in Cotati and the other in nearby Santa Rosa, which together generated about $40 million in sales per year. Sonoma County was situated at the northern fringe of the San Francisco Bay Area, about an hour’s driving time from the Golden Gate Bridge. Oliver’s had just been informed by its grocery wholesaler that Kroger’s, a national chain, was selling 20 supermarkets in the San Francisco Bay Area. Within a week of receiving the list of Kroger’s locations for sale, Steve Maass (owner) and Tom Scott (general manager), narrowed the choice to two stores – Ralph’s Supermarket in Santa Rosa and Bell’s Market in Novato. Novato was in Marin County, about 30 minutes’ drive south of Santa Rosa. Oliver’s had one week to tender a bid on the Kroger’s stores, either of which could cost an estimated $2 million to retrofit, in addition to the on-going lease and operating costs.

At the same time of this expansion and acquisition opportunity with the old Kroger location, Oliver’s Markets was nearing completion of an estimated $500,000 remodel of its original Cotati, California store. Steve and Tom quickly had to decide whether or not to bid on this potential expansion opportunity. In reaching a decision on whether or not to purchase and retrofit the new site(s), Maass and Scott had to consider the on-going challenge of differentiating Oliver’s in a low-growth, fragmented industry. National chains were seeking market share growth largely by increasing store counts and developing new marketing initiatives to take sales away from rivals. Trader Joe’s, Costco, and Whole Foods had recently entered Oliver’s sales territory; Wal-Mart and Target had also developed “hypermarkets.”

With their only child not actively involved in the business matters of Oliver’s, Steve wondered whether or not Oliver’s could sustain its current strategy. If so, would expansion provide an opportunity for him to step aside and thereby allow Scott to buy into and run the business?

This case is intended for use in undergraduate or MBA Strategic Management or Retail Management courses. It can also be used in a course on Small Business or Family Business. The instructor’s manual for the case asks students to consider Strategic Planning, Industry and Competitor Analysis, Generic Strategy, Diversification, and Succession Planning issues.

The case provides instructors with an opportunity to engage students on SWOT analysis, Porter’s (1980) 5 Forces analysis, generic strategy, financial ratio analysis, and tests for diversification. The intention is to illustrate how in today’s fast-moving economy well-established players are finding the face of their industries changing dramatically and are being forced to react proactively. Simply “doing the same thing that was done last year only slightly better” is no longer the answer. Responding to emerging needs in a quick and efficient way is the business model of the future.