

Thinking Outside the Brick

At the turn of the 21st century, the business climate crunched and crippled many independent grocers. Even some of the largest independent retailers in the nation gave up the fight by 2000, signing purchase agreements with grocer giants. Safeway bought Genuardi's, a family-owned chain of supermarkets in the northeastern United States. Kroger took over Baker's from Fleming Companies Inc., a food wholesaler that acquired the family-owned grocery chain in 1992. That followed a series of acquisitions by Kroger, including merging with the fifth-largest grocery company, Fred Meyer, in 1997.

Coborn's had to rely on the relentless spirit that had carried the company through two world wars, the Great Depression and three generations of family ownership. Times had changed Coborn's and required the company to look at itself differently. The industry demanded both growth and diversification.

It was in a world driven by technology and unforeseen competitors that Don Wetter served as the company's caretaker and prepared the business for the family's fourth generation of leadership. Under his direction as chief executive officer, the company solidified systems it needed as a mature, growing company and made calculated moves into major markets along Minnesota's I-94 and toward the Twin Cities.

"It grew way past my expectations," Wetter said. "There was a time when 30 stores seemed like a stretch. Once we got started in the growth process and saw the opportunities, it was hard to stop."

The company opened its first Coborn's Superstore in 1993 in Sauk Rapids.

1990

1993

Opens first Coborn's Superstore
in Sauk Rapids

Store Manager Dave Meyer (center)
is greeted by the St. Cloud Chamber
Top Hatters at Coborn's in Sauk Rapids - 1993



First Superstore

Coborn's opened its first superstore in 1993 with the opening of a new, expanded store in Sauk Rapids. The format was first introduced by Kroger in the 1960s and boasted additional amenities. The feeling that those amenities drove up prices led the model to fail and eventually give way to discount retailing. The superstore model re-emerged in 1990 with Walmart and Kmart seeing considerable success as a "one-stop shop."

For Coborn's, the superstore brought not only an expanded layout for food and general merchandise, but also the addition of common services, such as banking, dry cleaning, photo and eventually, walk-in medical clinics. Coborn's spent much of the 1990s remodeling many of its traditional Coborn's stores to superstores. The superstore format became the company's new Coborn's store model.

2005

2007

Chris Coborn named
chief executive officer,
becoming the fourth generation
to lead the business

2010

2011

Coborn's, Inc. recognized by
Grocery Headquarters magazine as
Independent Retailer of the Year

As a senior leader, Chris readily took an active interest in the industry, serving on boards and as a member of numerous industry associations, including National Grocers Association and Food Marketing Institute.

In 2001, he received the National Grocers Association's prestigious "Spirit of America" award, which honors distinguished individuals for their active involvement and participation in community service and public affairs. This award has been presented to more than 500 individuals, including former Presidents George Bush and Gerald Ford, former Vice President Dan Quayle and numerous U.S. senators and representatives.

From 2009 until 2012, Chris served as chairman of the National Grocers Association, during which time he testified in front of the Supreme Court on behalf of the industry regarding interchange fees and provided advocacy on key issues for the grocery industry.

In 2011, Coborn's, Inc. was recognized by Grocery Headquarters magazine as its Independent Retailer of the Year.



Members of the
Coborn's team with the
cover of Grocery Headquarters
February 2011 issue,
featuring Coborn's, Inc.
as Independent Retailer of the Year.

Left to right:
Mark Coborn, Executive Vice President
Sue Wendt, Vice President of Advertising
Andy Knoblauch, Senior Vice President of Center Store
Dan Coborn, Chairman of the Board
Emily Coborn, Communications Manager
Chris Coborn, President and Chief Executive Officer
Bob Thuringer, Chief Operating Officer



2000

2005

2008

Acquires SimonDelivers
and launches online grocery
named CobornsDelivers

Spotlight

Opening a New Market?

Though it bought SimonDelivers, the Coborn's supermarket chain plans to keep its focus on Greater Minnesota.



CEO Chris Coborn's supermarket company is celebrating its 80th anniversary this year.

Executives at St. Cloud-based grocery chain Coborn's, Inc., want to make something clear—they currently have no plans to expand into the Twin Cities. Sure, Coborn's made news in August by purchasing New Hope-based online grocer SimonDelivers, which had folded just a month before. But Coborn's says it's doing just fine in its outstate locations. "We probably will continue to expand in the non-metro rural areas," says Dan Coborn, chairman of the board and grandson of the company's founder, Chester Coborn, who along with his two

company still has stores in both municipalities; both were later rebuilt at other sites.) Today, the fast-growing chain has nearly \$1 billion in annual revenues from 26 Coborn's stores, nine Cash Wise stores, and dozens of convenience, video, liquor, and drug stores under a variety of names. The majority of Coborn's holdings stretch along the I-94 corridor between St. Cloud and the Twin Cities. (The stores closest to the Twin Cities are in Albertville, Ramsey, Buffalo, Hastings, and Delano.) The stores under the Coborn's name are full-service operations; the Cash Wise Foods chain, which the family founded in 1979, con-

gas stations, and liquor stores. "In many cases, we are a one-stop shop," Dan Coborn says. "We were one of the first to have an offering this comprehensive in our part of the world," the Upper Midwest. In 1972, Coborn's became Minnesota's first grocer to use optical scanning equipment at the checkout. In 2007, Coborn's made its first stock distribution under its new employee stock ownership program (ESOP). The Coborn family still retains majority ownership, but now nearly half the company's more than 6,000 employees also own a share of the company under its ESOP. "We wanted to shift the culture to grow the organization from the inside out," says Chris Coborn,

Delivering Groceries to Customers' Doorstep

While the fundamentals of staying focused on the customer had not changed, the old ways of doing business were beginning to fade. Amazon had made its debut as an online bookstore and, in less than a decade, became a powerhouse that began transforming the way consumers bought and received goods.

"You cannot be complacent in this business," Chris said. "You have to take risks and try new things to continue to serve the customer."

In 2008, Chris made one of the boldest moves in the company's history up until that point, when he announced plans to buy SimonDelivers, an online grocer and home-delivery service based in the Twin Cities.

Coborn's renamed it CobornsDelivers.

CobornsDelivers was the way of the future but it was far from a profitable business model under its previous ownership. "I knew it was risky," Chris said. "But I thought it was a move we needed to make to get into the emerging online grocery ordering and delivery business."

Coborn's was on the leading edge of the trend and it would take time to see if the investment paid off.

2010



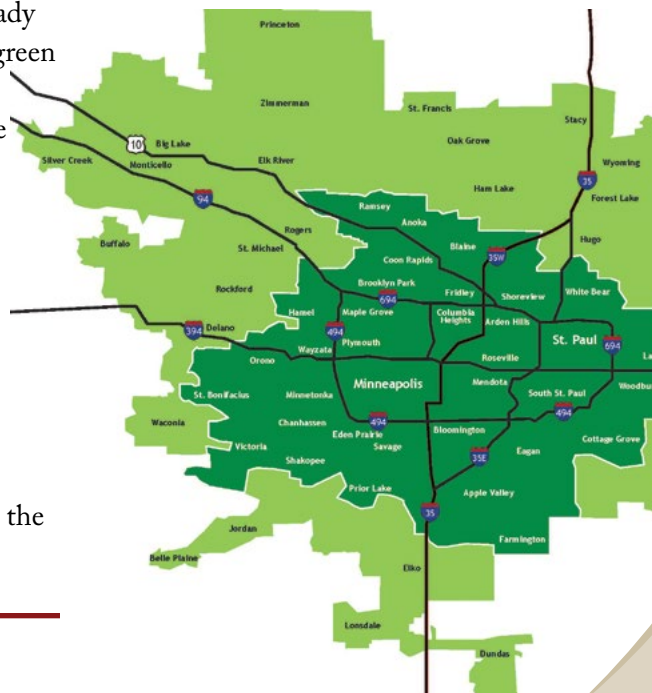
COBORNS
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New Take on Groceries

The online grocery world is far from what Coborn's had known. CobornsDelivers distributes groceries from a 190,000 square-foot warehouse facility that is divided into seven different temperature zones, including four separate coolers and a walk-in freezer that gets down to 20 below.

While the operation doesn't resemble a traditional grocery store, customers find the same vast assortment and high-quality products they would find at a Coborn's store – from the convenience of a computer or mobile device.

Customers have until 11 p.m. every day to place a grocery order online for next-day delivery. It's after 11 p.m. that the CobornsDelivers warehouse comes alive with the company's personal shoppers filling up to eight orders at a time. They load customers' bags that are already preassembled in green totes by product category. They use a computerized "pick light" system, sophisticated computer tracking and barcode scanners to ensure they pick the right items at the right quantities.



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Time**

**Save
Money**

**Convenient
Delivery**

Among CobornsDelivers' differentiators in this online world is its ability to provide fresh dairy, frozen food, meat and produce items. It's a feat even retail giants like Amazon and Walmart have been reluctant to take on. The company's fleet of trucks deliver the goods in specially designed refrigerated or freezer totes on carefully calculated geographic routes to ensure freshness.

A demand for online shopping and home delivery services led Coborn's to expand CobornsDelivers to serve both residential and business customers in the Twin Cities and St. Cloud areas.

CobornsDelivers is one of only four larger-scaled online grocers operating in the U.S. today, including Fresh Direct in New York and New Jersey; Peapod, headquartered in Chicago and Amazon Fresh in the Seattle area.

The trend continues to receive significant trade buzz as younger consumers are adopting online grocery shopping as a standard. More and more national players continue to test targeted areas to gauge interest and a return on investment.

**Purchase
Rewards**

**Friendly
Drivers**



Understanding the Customer

The addition of CobornsDelivers has been a lesson in understanding the modern-day consumer and has challenged Coborn's to consider a new core customer, one who is even more interested in convenience than in cost.

"CobornsDelivers has helped us better understand the customer," Chris said. "Our sophisticated database gives us greater insights into the types of customers we serve and their buying habits. Leveraging data allows us to do much more targeted marketing and reach our customers much more effectively and efficiently with more relevant offers, based on their past purchase history."

Freshness

Selection

With a propensity to adopt technology, CobornsDelivers' core customers complete orders valuing upwards of \$140 a week in less than ten minutes. It's not all about groceries. Pet supplies, diapers and baby food are top sellers in this virtual world.

The core of CobornsDelivers' primary customer base is younger, time-starved families. Whether it's young children at home, or active teens that put significant stress on family time, CobornsDelivers' customers appreciate the convenience of shopping from home and making their lives easier. With tools on the website like personalized shopping lists, the ability to add items to their cart frequently or find a recipe to plan a quick meal, convenience is a very appealing benefit of being a CobornsDelivers customer.

The convenience of CobornsDelivers also has made the online grocer appealing to a growing base of commercial customers, from daycares and schools to small businesses. The company identified early opportunities for these key market segments and has paid great attention to it by providing offers, rewards and other programs to earn their business and ongoing loyalty.

Track Expenses

Amazing Customer Service



CobornsDelivers' Core Customer Traits

Age: 35-54

Household: 2-4 adults with children 0-3 or 13-18 years of age; 18 percent with infant or toddler in the home

Pets: 37 percent own a pet

Length of residence: 16+ years

Annual household income: \$75,000-\$125,000

Interests: Gourmet cooking, home décor, sports, computers, technology and online purchasing, including a high propensity as early adopters of technology

Shopping frequency: 40 percent shop weekly; 60 percent shop bi-weekly

Average duration of placing online grocery order: Less than 10 minutes

Coupon usage: 71 percent

Loyalty club participation: 17 percent, varying from pet and baby to wine and beer clubs

Average order size: \$140



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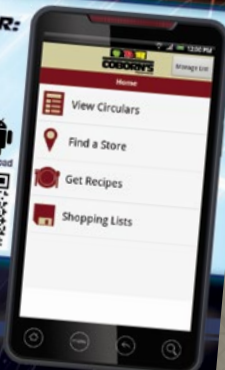
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Marketing in a New Millennium

The CobornsDelivers operation and customers are not traditional and so the marketing cannot be either. Coborn's has developed new ways to market to this new tech-savvy core customer, who in some cases has never walked into one of the company's brick-and-mortar stores because they enjoy shopping from the convenience of their home.

That has led the company's marketing to become highly personal and almost exclusively digital. CobornsDelivers has focused on leveraging several specifically targeted marketing channels to reach both existing and potential customers and given way to some of the company's most progressive uses of technology for marketing.

Instead of a highly visual Sunday ad, CobornsDelivers generates sales through sophisticated e-mail marketing campaigns. The e-mails, directed personally to customers, communicate weekly specials and special offers and serve as the foundation for a strategic habit-building program to foster ongoing loyalty.

CobornsDelivers also led the company with the development of its first mobile app. The app focuses on making online grocery ordering even easier – and accessible – allowing customers to review weekly specials, view their order history and shop from customer lists.

“We know our customers want a quick and easy online grocery shopping experience,” said Dennis Host, vice president of marketing for Coborn's, Inc. “The majority of CobornsDelivers customers (85 percent as of 2014) own a smart phone and roughly one-fourth of all CobornsDelivers orders are placed from a smart phone or tablet device. The shopping app helps give customers time back into their day so they can focus on what matters most to them.”



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Marketing Manager*

*Andrew Schepers
Digital Marketing
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*Dennis Host
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*Holly Lee
Social Media/
Creative Specialist*

*Nora Erpelding
Web Designer*

Business in the 21st Century

As consumers continue to use mobile and tablet technology as their preferred information platforms, Coborn's, Inc. has been right there with them. Today, mobile apps on iOS and Android platforms have been developed for Coborn's, Cash Wise and CobornsDelivers.com. Customers can find recipes, view the weekly ad, make a shopping list and even grocery shop and arrange delivery from their smartphone or tablet device. Additionally, customers can redeem digital coupons from their phone as they check out. They can have their order delivered to their home or business or choose to place their order and pick it up at their favorite Coborn's or Cash Wise store.

"Mobile is the new laptop," said Host. "We need to be in the aperture of today's consumer with offers, content, information and the tools they need to access us, wherever they are, on the platforms they're using, 24/7. Our digital, mobile and e-comm strategy is an ongoing process as we transform how we interact with our customers."

Social media has made customers more engaged than ever before. Coborn's has leveraged the strengths of several social media channels, including Facebook, Twitter, YouTube, FourSquare, Pinterest, Blog and Instagram, to interact and engage with customers. Social sharing, including customer conversations on Facebook, using video to share a recipe or food preparation tip on YouTube or sharing delectable recipes and ideas on Pinterest, are now part of our everyday practice in engaging and staying connected to our customers.