



## Zingerman's: A Case Study in Online Marketing

The web brings international range and rich information to the community of businesses that have grown up around an initial vision for a good deli.

The air is thick with distractingly wonderful smells coming from a baking class in full swing next door. We settle down to talk over slices of Irish brown soda bread with Argyle cream cheese, all freshly baked and made not 20 yards from where we're sitting. These delicacies are but a tiny sample of the incredible array of Zingerman's foods made locally, but sourced from ingredients found here and all over the world.

Ari Weinzweig and Paul Saginaw set up Zingerman's Deli in 1982 in Ann Arbor, Michigan, occupying a small, building full of character in the Kerrytown district. They started with a simple vision – to provide the community with great food and great service. That vision has remained at the heart of their business ever since, and by redefining the scope of their community, they've realized enormous growth through some unconventional means.

“As we began to do well, we had a load of offers to expand by franchising the business,” says Weinzweig, who came to the food business by way of a degree in Russian history at the University of Michigan. “But the fact is neither of us had any wish to spend half our lives on the road making sure everything was at the standard we insist on. At the same time we couldn't stand still, and Paul kept pushing for us to develop a plan for where we wanted to take things.”

The result is a novel hybrid of the co-operative and partnership models. The founding partners encourage their staff to bring them ideas for growth that would fit within Zingerman's highly defined business culture. If, after some careful development, the ideas become reality, their originators become managing partners in the resulting enterprises. To date, the Zingerman's community of businesses includes a bakery, mail order service, restaurant, coffee company, catering service, creamery and bakery school – all alongside the original delicatessen in Ann Arbor. In addition, the management style and culture that spurred this expansion has itself found a market in the form of ZingTrain, which provides customer service training, seminars and consulting for a wide range of businesses, many outside the food industry.

Zingerman's relationship with the Internet followed a similarly organic approach. “We came to it very late,” recalls Mo Frechette, managing partner of the Zingerman's mail order business. “By the mid '90s we had a busy and profitable catalog order service going on, and were getting calls every week from companies wanting to sell us a website – and promising it would make us a fortune. But from the start we were never going to outsource it. Although we knew we'd come to the web eventually, we wanted to do it right when we felt ready.”

And sure enough, in 1999, employee Toni Morrell and her husband Tom approached the partners with a business

plan to bring Zingerman's online.

"Our plan for the website was to treat it like opening another store. We needed to keep it fresh and alive, a place people would want to visit: I mean, who'd come into the bakery if we only changed the bread display once a month?" asks Weinzweig. "And it had to be profitable from the start," he added, always clear that a website should be a profit center, not a cost center. The site launched in September 1999, and although Weinzweig originally harbored a vision of a more encyclopedic world-food site, it quickly became apparent that the interests of the managing partners – and the bottom line – favored maintaining close ties with the mail-order business. With 100 percent of Zingerman's web revenues coming from the mail order business, it made sense to pool the effort and the expertise in both areas.

"There's an easy-to-measure incremental benefit that the web has brought to our mail-order service," observes Frechette, "but it had some interesting side-effects, too." Zingerman's had been sending out catalogs on a prospective basis with little positive sales impact for some time. "When we had an online presence, the response rates really picked up – as though our web site gave us some additional credibility that prompted people to act."

Although almost all of the Zingerman's businesses have web sites, clearly the mail-order site is the most evolved in terms of its online marketing.

"We've taken the approach of never being in the first wave of any new IT development for two reasons," says Frechette. "Firstly, we're not technologists: Our focus is on sourcing an amazing quality and diversity of food and supplying it with the highest service standards. Second, we see a lot of hype in the breathless enthusiasm that comes with every just-in, must-have technical innovation: We like to let that blow through before we get involved."

So Zingerman's didn't come to paid search advertising until late 2006, but when they did, it quickly became apparent that it would be a game-changing opportunity.

"We work with an agency, the 5th Food Group, referred to us by friends in the business," Frechette continues. "They're fantastic because they're specialists in the food industry, and they like to do business with small, innovative companies like ours."

The agency manages the search terms that Frechette and his team select to bid upon, and provides a comprehensive analysis of performance right through to sales. The data returned by the search engines is combined with input from Zingerman's regarding the cost of fulfilling each related sale.

"That provides us with a figure for net contribution after all costs, and we've found that although the reach of our search engine ads hasn't yet overtaken what we get from the printed catalog, the return-per-customer acquired through paid search is positive on the first sale. This is quite unlike the mailed catalogs, where we only plan to go into profit at some point during the lifespan of the relationship with the customer." Frechette is convinced that paid search makes strategic sense for Zingerman's mail order, and plans to continue expanding the program, keeping pace with the growing range of gift boxes, bread baskets and pastry parcels that leave the Zingerman's mail-order warehouse every day.

Across the community of Zingerman's businesses, the various offshoots are moving at different speeds with regard to Internet utilization. With the exception of the mail order business, they are generally information-led websites. Each of them makes use of email lists to provide newsletters to registrants; however, as a group they are very careful about not bombarding customers with information they haven't specifically requested. Their email address lists are held by a specialist third-party company, Delivra, who provides web access for each of the businesses to manage their own list as they choose. Again, the mail-order business uses the most sophisticated methods, targeting customers with messages customized to their purchasing behavior. The messages are tested extensively, with, for example, different offers being sent out in a single email shot. The success of each type can be measured very closely, and this hones the team's understanding of what makes an effective email communication.

“All our businesses are extending the way they use the Internet at their own pace,” says Weinzwieg. “We have a roaster cam in the Coffee Company, so you can see us in action there – usually in the middle of the day – and our Bakehouse bakery classes have set up a popular forum for discussion of all things baking. The service businesses have more information-based sites for the time being, but we plan to extend into selling through them soon.”

The Internet has clearly had a huge impact on Zingerman's business when it comes to dealing with suppliers. “We generally work with small producers, who certainly don't have call centers, and usually don't have staff,” observes Weinzwieg. “Email has changed the way we interact completely. Where once I'd have to make ten phone calls over several days to get through to an Italian olive-oil producer with a single question, now I write an email and the chances are we'll have exchanged two or three times in a day. This has meant that we've been able to cover a lot more ground, and while it hasn't hugely expanded the range we offer, we think that the quality of what we sell – and particularly the quality of product information we supply – has benefited greatly.”

The depth and richness of online information is clearly an important feature at Zingerman's. Weinzwieg is a prolific writer, and he canvasses harvest notes and tasting details from suppliers around the world, often submitted same day, perhaps months before the product actually arrives. Combining them with his own insights, he circulates a hefty – but hugely readable – email to staff every couple of weeks. This keeps product knowledge, and therefore service standards, very high across the businesses. In edited form, these emails become customer newsletters and might eventually end up as a book.

Although Weinzwieg doesn't actively scan the foodie blogs for references to Zingerman's, he's committed to business transparency. He makes himself available for email contact – and he responds. By passing customer queries and comments through to suppliers from all over the world, Zingerman's is creating communities of interest that prompt a new understanding of what is “local.”

“In the food business, as in many other industries, there's an ongoing debate about the merits or otherwise of globalization. Usually, the truth is more subtle than the slogans claim,” suggests Weinzwieg. “We believe that all the benefits of locality are held in relationships – in our case between us, our suppliers and our customers – and the Internet, that great global technology, has enabled us to deepen and strengthen these ties for the benefit of all. For us it's all about food, so we'll never be up there with the cutting-edge technical bells and whistles, but when we see the online world add to the quality of the products and services we offer, you can be sure we'll be in the thick of it.”