



Better Managing Your Produce Department

- Is your produce department a driving force in your stores?
- Does your produce "break the cold chain" or reach room temperature?
- Does it satisfy the customer with fresh, appealing produce at an attractive price?
- Are you reaping the benefits of a profitable produce department?

Your answers to these questions directly relate to the profitability of this department. The produce department can contribute as much as 19 % to the bottom line of the store. Despite various inevitable challenges, that level of performance is achieved by the most successful produce departments.

In managing the produce department, an on-going challenge is to provide produce at a consistent level of quality and availability. Produce freshness is a critical element of the quality factor. A recent survey found that 87 percent of shoppers polled gave freshness the highest rating in importance for produce. Although freshness is a factor that is often hard to control, many supermarkets have uncovered improvement opportunities within the supply chain to aid in this area. Examples include: rapid cross-docking, product integrity awareness and an Efficient Consumer Response (ECR) approach to business.

Freshness is partially dependent upon the supplier's ability to manage weather, transportation and distribution activities. To better monitor and manage these factors, some buyers utilize non-traditional techniques in buying their merchandise. These techniques include satellite weather service technology and up-to-the-minute status of opportunity buys from growers, available on a "reduced-to-clear" basis. A thorough understanding and implementation of appropriate technologies is a must to drive produce department profits in this manner. Additionally, effectively managing display standards, product variety and freshness monitoring, associate training, and proper department staffing are also key factors to driving your produce sales and store profits.

Results You Can Achieve

In order to develop a more effective store-level produce merchandising strategy and improve product flow through your supply chain, consider an analysis of the department layout (the sales floor and the prep room). You may be able to identify various problem areas that have gone un-noticed to date. Examples of opportunities that we have uncovered in past analysis include: better defining and matching natural customer traffic flow, establishing more consistent product integrity standards and improving item variety by establishing display case standards (with schematics). Additionally, an efficient backroom operation is important. Opportunities often exist for improved product handling, more efficient general receiving procedures, short interval scheduling and improved crisping techniques.

One southeastern client we assisted adopted an emphasis on the five fastest selling products, and away from promoting slow-moving, specialty items with slow-turning displays. This perspective shift prompted management to more accurately identify more profitable items to keep in stock and have on a visible, substantial display. It also facilitated setting sales and gross profit margin goals each week. At corporate, measurements were initiated to better understand on-line weather system integration, wide-scale (buying) scout communication efforts, procurement system interfaces with vendors (to maximize EDI), and invoicing reduction. The initiatives increased the produce department's bottom line contribution from 29.8 % to 39.5 %. Actual gross margin increased from 34 % to 41 %, direct labor wages decreased from 6.1 % to 5.4 %, and supply expenses decreased from 3.1 % to 1.1 %. Finally, contribution to total store weekly sales increased from 9 % to 15 %.

Industry Benchmarks:

Produce Dept	Avg	Best
• % Shrink	4.6	2.9
• Annual turns	54	94
• % Supply Exp	1.7	.9
• % of Total Store Sales	7.9	11.5
• Payroll %	8.8	5.3

**FIND US ON THE WEB AT:
WWW.ATLANTARETAILCONSULTING.COM**



Atlanta Retail Consulting provides strategic insight, innovative customized business analysis and operational improvement to retail and consumer products clients, permitting them to *increase sales revenue, decrease operating cost, and increase operating margin.*

A key practice differentiator we possess is the breadth and depth of experience that our retail consultant team has accumulated while working in virtually every retail format. Our retail consultant team collectively boasts over two full centuries of successful retail consulting and retail leadership expertise. We assist our clients to properly implement our recommendations to insure they achieve the results they expected and experience a positive ROI from our consulting services.

The Approach You Should Employ

To improve your produce department's performance consider utilizing the following approach to develop and implement new techniques:

- Determined item variety thresholds, maximizing inventory turns while minimizing rotation and shrink
- Standardize display fixture inventory levels to enhance presentation and reduce inventory carrying cost
- Match natural department customer traffic flow to maximize product exposure without forcing the customer to follow a specified path
- Implement quarterly physical inventory counts (weekly is too often)
- Outsource processed items (e.g. chunked fruit)
- Improve (delivery) driver cooperation to ensure consistent product refrigeration
- Expand private label offering
- Enhance relationships with growers to improve product availability
- Eliminate fresh product markdowns
- Eliminate iced displays
- Improve the flow of product to the department by refining the stocking processes
- Insure a universal PLU code program is utilized
- Utilize produce specialists to assist produce and store managers with operational issues
- Compensate produce managers based on sales volume and profitability of department
- Implement team-based goals and performance management
- Receive half and quarter cases of low volume items to increase inventory turns
- Utilize shelf labels for all items to improve in-stock position and visual integrity
- Drive sales of the top 10 selling items
- Apply the five-a-day program, promoting consumption of five fresh fruits and/ or vegetables per day
- Initiate a suggestive selling method focused on driving sales of new or seasonal items
- Utilize electronic kiosk recipe program
- Implement electronic sign making capabilities

Patrick Fitzpatrick, President
Atlanta Retail Consulting
345 Woods Lane
Alpharetta, GA 30005

Phone: 770-754-5008
E-mail:
PCF@AtlantaRetailConsulting.com

**Your focus is running your business.
Our focus is to help you to REFINE IT.**

**Contact us to find out how your grocery
business can generate more profit.**

