



Enhancing Your Deli Department Performance

A deli that offers fresh selections, high quality meal solutions and quick, efficient service brings value to the customer and will increase store traffic and drive sales. In fact, a supermarket's deli department can represent as much as 6.5 % of total store sales. Although alternative formats like supercenters, restaurants and fast food chains compete with your deli department sales, there are strategies a supermarket can implement to compete more effectively. Successful strategies focus on the benefits a deli supermarket operation can provide, i.e., variety, freshness, value pricing, and one-stop shopping.

You may also want to examine your deli meal solutions. Consumers are getting back to basics, buying rotisserie chicken, meat loaf and other "home-style" foods. Ideally, a supermarket deli will offer several options of these hot and/or chilled meal solutions. The deli might also, for example, sell entrees and side dishes individually, offer an entree and two side dishes as a meal, and offer value-priced groupings – comprising a total meal solution. Whatever the strategy, the key to better sales is a focus on what the customer values.

Industry Benchmarks:

Deli Dept Average / Best

- % Shrink 4.6% / 2.4%
- Days of Inv on-hand 4.7 / 3.3
- Supply Expense as % of Weekly Sales 2.4 / 1.2
- % of Sales Distribution 4.4 / 6.5

Results You Can Achieve

Deli department labor cost reduction is critical when competing within the price-sensitive business of food retailing. Many supermarkets are partnering with vendors as a way to centralize labor and maximize efficiency. Labor cost reduction methods employed by successful supermarkets include eliminating redundant or non-value added deli activities and minimizing associate travel time wherever possible. After conducting an initial assessment of key performance indicators using industry best practices and benchmarks for a past client, all deli activities were evaluated. In this process all deli non-value added tasks and activities that reduced productivity and/or negatively impacted customer service were identified.

To compliment this work, the retailer formed “Action Teams” consisting of associates representing the deli department. The action teams met weekly to discuss new ideas and to provide feedback on any new initiatives that were implemented. Each team had accountability to implement and measure all changes at their store. The associates later provided the training to additional stores.

During this improvement process we assisted this retailer in understanding operational opportunities in the areas of customer service, stocking, ordering, and merchandising. As a result, the supermarket redesigned its core processes and implemented face-to-face slicers, positioning the slicers so deli associates maintained face-to-face contact with the customer, rather than turning around or walking away to a counter-slicer, with their back to the customer. We also assisted in reconfiguring the work area to improve the accessibility of the high usage items like salad cups and lids, paper, gloves, etc.

After reviewing sandwich and pizza programs, we helped the supermarket develop an outsourced pizza and sandwich program that achieved double digit sales gains through an improved in-stock position. Finally, a revised deli schedule better matched the sales and traffic patterns. Technological improvements included piloting a scale management application and integrating a P.O.S. based production planning tool. We also worked with the retailer in selecting and utilizing the industry's best equipment, such as slicers and scales.

The supermarket achieved significant results by improving its work flow to eliminate repetitive or non-value added activities. Additionally, we helped them to improve upon menu offerings, refrigerated entrees and side-dishes, as well as value-priced meal ideas - to better compete with alternative formats. Because the chain more efficiently positioned its high usage items, customer service improved 22 % (for custom-sliced orders). This also reduced customer-service related activities by 50 %. Overall, customer wait-time in the deli was reduced by 9 %.



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The Approach You Should Employ

If you fall below the industry averages listed on page 1, it is time to analyze and re-engineer your deli activities. Strong consideration should be given to implementing the best practices listed below:

- Apply Just In Time (JIT) scheduling to better match staffing with department traffic patterns
- Utilize staff department manager during peak sales periods
- Use team-based goal setting and monitoring to instill a sense of ownership of goals and performance improvement
- Develop an effective workflow configuration to minimize repetitive or non-value added activities
- Utilize face-to-face slicers to improve throughput
- Shift fixed activities into non-peak sales periods to improve service levels during peak sales periods
- Implement a suggestive selling method to improve department sales
- Develop an effective food conditioning program to improve product freshness
- Install an effective sampling program to drive sales of new products
- Pilot a scale management system to ensure accurate retail pricing and reduce items not-on-file at the front end
- Implement a P.O.S. integrated production planning system
- Install an automated sign package to reduce time spent on sign generation

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