

Harnessing the Power of Produce for Total Store Success

by Alissa Marchat/staff writer

The number of trips consumers make to the grocery store is dwindling, and grocers are going to have to find new ways to increase the size of those limited baskets if they want to continue to thrive. That's where fresh produce comes in, according to Anne-Marie Roerink, principal of 210 Analytics LLC and a speaker at FMI Connect in Chicago in June.

During her presentation, "The Power of Produce: An In-Depth Look at Produce Through the Shoppers' Eyes," Roerink pointed out that baskets including fresh produce are \$20 more than the average cart, and \$30 more than a basket without produce—fresh or otherwise. Those extra dollars aren't just being spent in the fresh produce department, but throughout the entire store, including center store and other perimeter departments.

"These days, that's incredibly important," Roerink said. "The food retailing industry, regardless of channels, we've all been struggling with trip decline. We've all seen pressure on getting people in our store. That means that there's all the more pressure on building that basket. Because we're seeing people less often, we've got to make sure that we optimize, maximize the basket. And clearly, produce is one of those unique categories that can help you drive the basket."

To maximize baskets using produce, retailers have to understand the trends affecting shopper preferences, how shoppers make choices when it comes to both products and which stores to shop, ways to increase produce consumption, and where there is room for improvement in the produce aisles. These topics are covered in depth by the Food Marketing Institute's "The Power of Produce" report, which surveyed 1,300 consumers on their produce shopping habits, but Roerink highlighted a few important points for FMI Connect attendees.

Local and organics continue to gain traction

Produce mega-trends covered in the report range from fixed vs. random weight to non-GMOs, but Roerink focused her presentation on consumer shopping habits around local and organic.

"Local is really a trend that originated in produce and then moved its way into the rest of the store," she said. "But our question there really was, 'is the local movement starting to taper off in produce or is it still intensifying?'"

To find out, The Power of Produce asked participants how interested they are in their primary produce department adding more local SKUs. The majority of consumers, 61 percent, are "very interested," and according to Roerink, that represents a shift in consumers who last year had no interest or only some interest in more local produce.



Anne-Marie Roerink

"So we can absolutely conclude that this trend is still intensifying as it relates to produce," she said.

Because the local trend is still "in flux," it's important to keep an eye on consumers' definition of local. Last year's Power of Produce report found four popular definitions of local: grown within the U.S., the state, the city or within a certain mile radius. This year, consumers have reduced their idea of locally grown foods to those produced within the state or a certain radius.

"I would guess that as people realize that local programs are moving from a select few items to this whole range of items, town and city might be a little bit too narrow. So this just might be a reflection of pure logic," Roerink said.

While this tightening of the definition gives retailers less flexibility in their locally grown programs, Roerink believes more definite parameters helps retailers define those programs.

When asked what drives them to make unplanned produce purchases, surveyed shoppers overwhelmingly answered "eye-catching displays," followed by information, education and ideation, such as recipe cards or sampling opportunities.



A robust locally grown or organic program is especially important for retailers with a large Millennial shopper base. The Power of Produce saw a dramatic jump in consumer focus on the environmental impact of food, driven almost entirely by Millennials, Roerink said.

"We saw that in organic. We saw it in local. For them, it's not just about the dollar; it's not just about perceiving freshness or anything like that. The environment is the big reason."

For consumers as a whole, the \$4 billion organic market is popular because they see it as a "shortcut to 'free-from' things they want to avoid—be it pesticides, be it herbicides," Roerink told listeners. Consumers also are shopping organic for taste, nutritional value and freshness, among other reasons. But while the organic segment is large and still growing, that growth is slowing down.

"Last year, 47 percent of people said 'I'm going to buy more organic produce.' This year, that number was down to 31 percent. Certainly nothing to sneeze at, and certainly indicating that we're continuing to see very aggressive growth in organic, but just keep in mind that that growth rate might be slowing a little bit," Roerink noted.

One reason for that downturn is possibly that the organic market is saturated. As household penetration of organic produce has grown, retailers are seeing more purchases from "dabblers"—peripheral shoppers who are not as willing or able to pay a premium for organic produce as core shoppers who frequently or always buy organic.

"What's happening is that the growth is now coming from those different sorts of shoppers, and we're seeing that reflected a little bit when we look at future purchasing intent," Roerink said.

To combat this, retailers offering organics need to be aware of their peripheral shoppers' reasons for purchasing organics and update their merchandising and educational efforts accordingly.

"We have a beautiful opportunity in the store, in produce and everywhere else, to tell the story of organic. To tell the story of the local farmer," she said. "Programs like organic...still have not reached mass where everybody is buying it. So develop programs, but keep in mind that in some cases, sales are going to do really well in one store and not in the other, so understand your shopper audiences."

Understanding how consumers shop for produce

Retailers looking to increase their produce sales need to take a number of factors into account, because as The Power of Produce found, shoppers both plan ahead before going to the store and are easily swayed to make impulse purchases of fruits and vegetables. This year's study focused on the path to purchase, said Roerink, and what researchers discovered is that there "really is no one path to purchase."

The majority of shoppers research produce before making purchasing decisions. According to the study, 72 percent of U.S. shoppers consult at least one form of advertising, such as a circular, either at home or in-store, and they're not just checking the promotions at a single store. When researching prices and promotions, 68 percent of consumers consult advertising from their primary produce store, but a full 50 percent of shoppers will often check prices at multiple stores. While that means increased competition for retailers, it can be a plus for those who put in the effort to draw in secondary shoppers.

"Price and promotions continue to be very important in produce. It's a great way for us to connect with our primary shoppers, it's a great way to get eyes from secondary shoppers on your promotions and to try and leverage that unique position that produce has to become a driver of store choice, a driver of traffic, and a driver of the total basket," Roerink said.

In order to be relevant with as many shoppers as possible, retailers are going to have to advertise through a variety of mediums and pay attention to which ones their shoppers are using. Unfortunately, Roerink pointed out, older consumers aren't quite ready for retailers to move away from expensive and inflexible print advertisements, like circulars, but the younger generations (as well as the increasingly tech-savvy among older generations) are depending more and more on mobile and digital devices for their research of promotions.

"Eighty-two percent of Boomers are still using the paper circular at home to look at produce and promotions. So can we move away from that? Not quite yet. But I do think (that) is going to change a lot over the next couple of years," Roerink said.

"Price and promotions continue to be very important in produce. It's a great way for us to connect with our primary shoppers, it's a great way to get eyes from secondary shoppers on your promotions and to try and leverage that unique position that produce has to become a driver of store choice, a driver of traffic, and a driver of the total basket."

—Anne-Marie Roerink, 210 Analytics



In the last year alone, use of printed circulars fell by 5 percent at home and by 3 percent in-store, and Roerink believes that as retailers improve their digital resources, such as their store app, more consumers will shift to digital. While this shift will come with advantages, it also will present new challenges that retailers should begin preparing for now.

"It's very important to start building that digital engagement. While it might be easy enough to buy a circulation list for our paper and print items, it's very difficult to buy (one for) mobile phones and email and what have you. So we really have to get the opt-in from the shopper," Roerink said.

One strategy she suggested for enticing shoppers to download a store's app or to sign up for its email newsletter is to offer a produce special as an incentive.

Although advertisements are essential for getting produce shoppers into the store, the real purchasing decisions are



A produce case at the new Stater Bros. store in Simi Valley, California.

Produce Xtra

FEATURE

From page 39

made once shoppers arrive and see the condition of the produce, including appearance and ripeness.

"In other words, nobody can compete on price alone. We have to execute," Roerink said. "Execution is crucial in produce. We see it in people demanding safety, we see it in looking for quality, freshness."

In addition to ensuring shoppers buy the items they intended to pick up, excellence in execution also has the power to drive impulse sales, she added. When asked what drives them to make unplanned produce purchases, surveyed shoppers overwhelmingly answered "eye-catching displays," followed by information, education and ideation, such as recipe cards or sampling opportunities.

"How many shoppers would be in the meat department and go, 'Oh...look at that hamburger meat. That looks awesome. I'm going to make spaghetti and meatballs,'" Roerink asked. "No, it's not the kind of product that inspires. But produce does. The colors, the smells...it can really drive the entire basket."

When setting up displays, she recommends a theme, such as Italian-inspired produce like tomatoes, onions and bell peppers, or a tropical display with fruits like pineapples, mangos and kiwis. When aiming to build a basket, though, she cautions retailers against bringing too many center store items into the produce department, because they can detract from the appearance of the displays and the department as a whole.

Competition among alternate channels presents challenges, opportunities

Supermarkets are the "powerhouse of fresh," Roerink said. When it comes to meat and produce, supermarkets have "actually managed to increase the number of shoppers compared to where people are buying groceries in general vs. where they buy produce."

Supermarkets are winning in this regard thanks to two factors. One is their high conversion rate—85 percent of shoppers who are in a supermarket will buy produce there. Supermarkets also largely benefit from channel switching. The Power of Produce found that 24 percent of shoppers buy their produce in a different channel than the one where they buy the bulk of their groceries.

"Supermarkets are the ones that take advantage of that," Roerink said. "That's really our strength and, again, that's our way to get people in the store, build the produce basket and build the total store basket."

While supermarket produce departments frequently benefit from these multiple-channel shoppers, the rise of alternate channels can still present challenges for traditional grocery retailers. Because produce is so important for bringing customers in and building the basket, occasional trips to channels like a local farmers market can have a big impact on a retailer.

"People that are stopping at a farmers market on a Saturday and buying some produce items, the danger in that is if they have now bought produce, what is stopping them from going to a convenience store, a dollar store, a limited assortment store, to load their pantry up with center store items? So again, capturing that produce department for the traditional channels is just really important for the total success of the store," Roerink said.

One way for traditional retailers to reduce the impact of alternate channels on their sales is by offering alternate channel shopping themselves through online sales. Today, only 0.8 percent of shoppers say that they primarily shop

for produce through digital channels, but experts believe that number is going to rise dramatically in the near future, according to Roerink. To help retailers enter this arena successfully, The Power of Produce polled shoppers about their concerns when it comes to buying produce online and found that the vast majority of shoppers (94 percent) had at least one concern, among them freshness and quality, proper transit and not being able to select produce according to personal preference. However, when those same shoppers were asked about ordering from a website that is fulfilled and supported by their primary produce department, consumers concerns were diminished.

"Here were a lot of people who all of a sudden say—34 percent—I may buy produce online if my primary produce department supports me. Eleven percent say I definitely would buy," Roerink told listeners. "So having that trusted relationship again can be a great way for your total store to start building these online platforms."

The key to these strategies is winning shopper loyalty, and when it comes to Millennials, who are becoming increasingly important to retailers, loyalty can be hard to come by. Retailers will have to find a way to keep this generation—which loves alternate channels like specialty stores and farmers markets—from straying. One way traditional retailers can do this is by providing information and education, which are important to this generation with notoriously few skills in the kitchen. Providing recipe and serving suggestions is a great way to connect with Millennials, Roerink says.

"They know that they're very limited in their kitchen skills. They are looking for ideas and recipes and serving size. They love this kind of stuff...Millennials want information in any way, shape and form that you can. That's a great way to connect with them and start building that same loyalty that you have with their older counterparts."

Millennials also are interested in callouts that point out nutritional benefits or information about the grower.

Roerink cautions retailers to pay attention to the information and recipes they are putting out, however, to make sure it's relevant to younger consumers. When it comes to nutritional callouts, young shoppers probably aren't interested in attributes like fiber and cholesterol, she said. And they certainly aren't going to be interested in complicated, time-consuming recipes.

"Make sure that your recipe cards have recipes that are fun and quick and exciting to the Millennials, vs. the three-hour stew that they're not going to cook."

Strategies for increasing produce consumption

Attempting to draw shoppers in from other stores or channels is one of only two ways to really increase produce sales at a given store. Because household penetration of produce is at 99.8 percent, there aren't really any new produce customers to be found or generated. That missing 0.2 percent is the "needle in the haystack," Roerink said. So the only other way to increase produce sales is by increasing consumption among existing customers.

"Fortunately, it's not an uphill battle. What we found is that people readily admit that they're not buying enough produce," said Roerink. "They readily admit that they don't consume the required or the recommended amounts."

The Power of Produce report offers information on a number of growth areas for retailers who want to increase consumption, and Roerink highlighted a few: fresh produce's health halo, new consumption occasions, and convenience.

When it comes to the perceived health of produce, fresh consistently beats out canned and frozen, Roerink said, but there is a lingering belief that fresh produce is more expensive than other types.

"Whether this is true or not—there have been many studies on that. I think it depends on the retailer. It depends on the area of the country. But it doesn't matter. It's a perception that the shopper has and one we need to overcome. And I think when it comes to price, it's very important to have the conversation about nutrition, about freshness, about quality and why people need to eat fresh produce and elevate the discussion beyond price. That's really the key," she said.

Retailers also can increase produce consumption by helping shoppers find ways to incorporate more fruits, which are already popular as snacks, into

their meal occasions and by encouraging them to include vegetables, which are most popular at dinnertime, into their breakfasts or snacks. The juicing trend, which is especially popular with Millennials, can help retailers push more fruit. And consumers already are showing interest in increasing their intake of vegetables as a snack. Retailers can facilitate this by setting up "health snack stations" in their stores.

The third growth area, convenience, is tied closely with snacking, Roerink says.

"We're seeing convenience make its appearance all over. In shopping, we're seeing more and more fixed weight. That's a lot easier to grab than random-weight items. We see convenience coming back in packaging—things like microwave-ready or ready-to-cook or the whole on-the-go sort of packaging solution. We see it come back in consumption, where people are able to just grab a salad that has the cheese, the dressing, the meat and everything right in it, in the produce department."

Meal solutions and value-added items also are a growing segment in the produce department, she noted. At 17 percent of total produce sales, value-added is already an \$11 billion industry. To ensure that value-added offerings continue to entice consumers and increase produce sales, Roerink believes that retailers will have to continue to innovate and ensure that their products are offering enough convenience to justify the added cost of those products.

"We have to be innovative and help consumers to integrate more fresh produce, which they're looking to do. So look at the demographic trends in your store areas. Help them integrate produce, elevate them above that price objection, and I think we have a great opportunity to keep growing sales at the rate that we have."

—Anne-Marie Roerink



Improving the in-store shopping experience

Roerink's final suggestion for retailers is to improve the shopping experience in-store. Survey participants were generally happy with their primary produce departments, giving them an average rating of four points on a five-point scale, but they offered a number of suggestions for retailers who want to earn that fifth point. While the Power of Produce outlines a long list of suggestions, Roerink focused on four: variety, prices and promotions, product availability, and customer service.

Consumers are looking for variety in both products and marketing claims in the produce department. They want more local, more organic, more specialty and more value-added offerings. Roerink pointed to the Nielsen Group's finding that the retailers with the greatest assortment of products are growing produce sales faster than those focused on the basics. In order to offer variety without greatly increasing shrink, Roerink says it's critical for retailers to understand their shoppers and the kinds of products they want.

"The second area of improvement according to shoppers, is that of better prices and promotions," she said. "No shocker there. No matter how low we go, we'll never be good enough."

Retailers can only lower prices so far, so rather than trying to win on price alone, retailers have to go back to educating their shoppers.

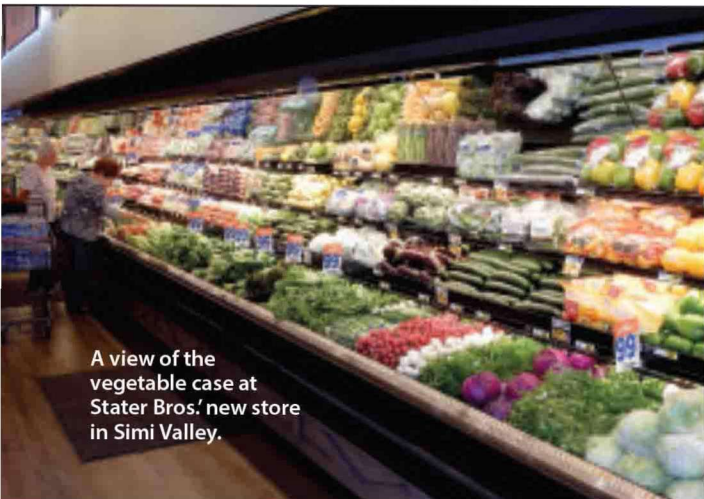
"It's really important to elevate the discussion beyond price and talk with people about quality and freshness and the customer service you deliver, rather than this whole price discussion, because it's one we cannot win," Roerink said.

Department operations as they relate to out-of-stocks are key to improving customer satisfaction.

"The shopper says, 'you know there is nothing I hate worse than going to a store because they have avocados on sale, and I get there and they're not there.' Out-of-stocks is a huge issue as it relates to experience and, of course, also losing the purchase," said Roerink.

This is one area of the produce department where a focus on the basics can really improve the shopping experience.

Finally, shoppers are looking for more customer service and outreach in the produce department. Similar to the meat counter already offered in most stores, Roerink suggested retailers ensure that there are knowledgeable and friendly employees in the produce department who can assist shoppers and answer questions.



A view of the vegetable case at Stater Bros' new store in Simi Valley.