

RETAIL

▶ BACKGROUND

Over 50 percent of the fresh weight equivalent sales of fresh potatoes go through the retail supermarket channel. Within the produce department, potatoes are most often the number one pound producer, and depending on the retailer, between the number two and number six dollar contributor.

Since 2001, the focus of the USPB Retail Program has been testing, analyzing and creating best-practices that drive sales while responding to the changing needs of consumers.

Best practices focus on

- Merchandising - based on the way the consumer shops the category, including educational signage at point of purchase (POP)
- Assortment – showcasing a large variety of potatoes year-round
- Pricing - communicating the value proposition to the consumer using a tiered pricing structure
- Promotion – Applying strategy to keep potatoes top of mind with consumers while also pushing volume, dollars and gross margin
- Packaging – supporting improved packaging that speaks to consumers

From the best practices, the USPB has also produced and provided training materials for retailers, their suppliers and the potato industry, encouraging them to implement changes in how they market potatoes to the consumer. While results have been positive and well received by many retailers and suppliers, it involved too few retailers and engaged too few shippers through a combination of “reluctance to change” or “lack of skill set to change.”

▶ CHALLENGES

During this period, while retail dollars have increased, supermarket pounds have declined. Some of the decline can be attributed to a shift from supermarkets to Supercenter/Club stores, but there is also a decline in the frequency with which consumers are eating fresh potatoes. Many factors have contributed to this lackluster performance: limited number of innovative new products, consumers seeking more convenient side dish items, growth of one dish meals, diets that have given potatoes a “bad rap,” lack of cooking skills, and new non-fresh potato entries, such as the refrigerated mashed and microwavable frozen products. Combine those factors with the commodity approach many retailers and grower/shippers apply to this category—approaches that include poor merchandising, unattractive packaging, limited or no signage, low pricing, and peak and valley promotions—and there is real evidence why performance has not kept pace with population growth or other produce or product categories: potatoes have, quite simply, been taken for granted.



TABLE-STOCK POTATOES

► RESOLUTION

Enable retailers to reconnect the potato category with their customers and provide the tools for shippers to accomplish the connection and respond to the consumer.

Upon developing a full set of best practices, the USPB took its' retail efforts to the next level by creating a model for the industry called "Best In Class." This long-term (three year) program assists partner retailers and their suppliers in implementing all known best practices (BPs) throughout the chain, thereby creating a relationship based on responding to the consumer instead of a relationship based on price. In addition, category pounds and dollars are measured to prove the effectiveness of best practices with said chain.

To date, results of the Best In Class program have been positive. Pounds and dollars have either exceeded rest-of-market (ROM) performance, or rest-of-chain (ROC) performance, and in all instances, the potato category contribution to the total produce department has improved. Results of the program have driven increased implementation in corporate strategies, best practice roll-out to associated banners, produce industry recognition through awards, as well as interest from other commodity groups seeking to create their own model.

The emphasis for the LRP will be refining the BPs, providing education and training and expanding proactive communications. The USPB will continue to work with the core "Best In Class" retailer base to refine and learn tertiary best practices for the category. The learnings will continue the education and training process, which will be communicated to retailers and shippers for implementation.

To reach over 600 shippers, 400+ retailers and over 30,000 supermarkets, the USPB created a shortened version of the "Best In Class" model and called it "Fast Track." Fast Track retailers and their suppliers were given the opportunity to work together in a short-term (one year) version of the Best In Class program, implementing and proving the same best practices in a subset (usually 10 percent) of the retailers' stores. Like the long-term model, pounds and dollars were captured and measured against rest-of-market (ROM) and rest-of-chain (ROC). The focus then became full-chain implementation. The USPB provided a roll-out plan that served as a platform for future work between that retailer and its suppliers.

Unfortunately, this program was not sustainable since retailers could not commit to full chain implementation once testing results were available. Despite the "proof" that potato best practices improved category performance, the leap from testing environment to full scale implementation proved to be overwhelming for the retailer, thus Fast Track was cancelled in FY10.

Replacing Fast Track efforts, and to further support the Best In Class long-term program, are two programs with varying degrees of required involvement by the retailer: Retailer Outreach and Best Practice Partnership. Retailer Outreach is a successful program that has grown from three to ten partners since its inception two years ago. The objective of the program is to communicate the latest in best practices, research and trends to our retail partners through a category review, delivering specific recommendations to grow the retailer's category. This program has the potential of impacting over 10,000 stores across the US annually.

The Best Practice Partner Program is a new program based on retailer feedback and recommendations. The program allows retailers to focus on a specific best practice, such as assortment, during a nine-month program. The USPB develops recommendations and monitors performance throughout the test to ensure partners are meeting the test performance targets—exceeding the performance of the competitive market.

Another element of the LRP is innovation. That is, new products and new concepts for fresh in the retail environment. Many other categories have moved ahead of potatoes. Retailers perceive the potato category as less innovative than other categories within produce. Innovation can and does take many forms: packaging, new varieties, new usage ideas and so on. It is, however, risky, and, if done incorrectly, can be very costly.

TABLE-STOCK POTATOES

During FY2006 the USBP initiated the first steps for identifying opportunities for fresh at retail, and the program continues to focus efforts to help the industry identify and implement new fresh product concepts that respond to the consumer.

LRP steps will include refining the concepts, consumer testing, commercialization identification and turning the ideas/concepts over to the industry for execution. The goal is to identify opportunity, limit risk, and accelerate innovation.

It needs to be noted that all these activities are consumer targeted and driven. This is the only way to increase demand and achieve sustained sales growth. Another integral part of the program as it relates to packaging, POP and several of the other activities/programs are continuing to include and support nutritional messaging efforts with emphasis on utilizing the "Potatoes...Goodness Unearthed®" campaign signature as a consumer communications foundation.

With the goal of increasing demand for fresh potatoes by connecting with and responding to the consumer, the summary of the overall direction is as follows:

- **Best In Class and Best Practice refinement**
- **Accelerate program awareness through Retailer Outreach and Best Practice Partners**
- **Education**
- **Training**
- **Communication**
- **Innovation**



TABLE-STOCK POTATOES RETAIL

GROWTH STRATEGY

Enable retailers to reconnect the potato category with their customers by

- Identifying for the retailers what their customers are looking for
- Developing concepts that respond to their customers
- Transferring concepts and learnings into business practices

Enable shipper/suppliers to increase demand by responding to the consumer by

- Developing innovative new products/concepts that respond to the consumer
- Identifying consumer strategies through research
- Transferring concepts/learnings into business practices through training

PRODUCTIVITY STRATEGY

Demonstrate to retailers and shippers that responding to consumers can increase the demand for potatoes by

- Educating, training and communicating to retailers and shippers “how to implement BPs”
- Facilitating and encouraging retailer/shipper partnerships
- Enhancing retailer and shipper capabilities