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UNITED STATES Potato BOARD

Measuring the Impact of Best in Class on Category Shrink

POTATOES GOODNESS™ UNEARTHED

45% Daily Supply of Vitamin C | Naturally Fat Free | Full of Vitamins and Minerals

Measuring the Impact of Best in Class on Category Shrink

The primary performance measures to evaluate the success of the Best in Class program is to evaluate the impact of the program on category dollars and volume. Test stores are compared to control stores and their competitive market to determine if recommendations drive category dollar and volume growth. In addition to these measures, shrink is another important component to evaluate program success.

Best in Class assortment and merchandising recommendations can positively impact shrink in two ways:

1) **By providing the right assortment of products, based on store demographics and market trends, we ensure the right products are available on a store-by-store basis**

2) **We merchandise based on how the consumer shops the category, and allocate the appropriate sales to space ratio, so the appropriate amount of product is placed on the set**

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Improving Category Shrink: "How To"

- Move lighting away from potato set
- Cover potato set at night; this is especially important for bulk and specialty potatoes
- Maintain only the required amount of potatoes on display; do not overstock
- Help the retailer order the appropriate amount of product. This is especially important for specialty and value-add products, which may not move with the same velocity as larger sized bags. Offering split-cases when possible
- Utilize store demographics to identify the appropriate assortment mix

Educate and train retailers to stock the appropriate amount of product

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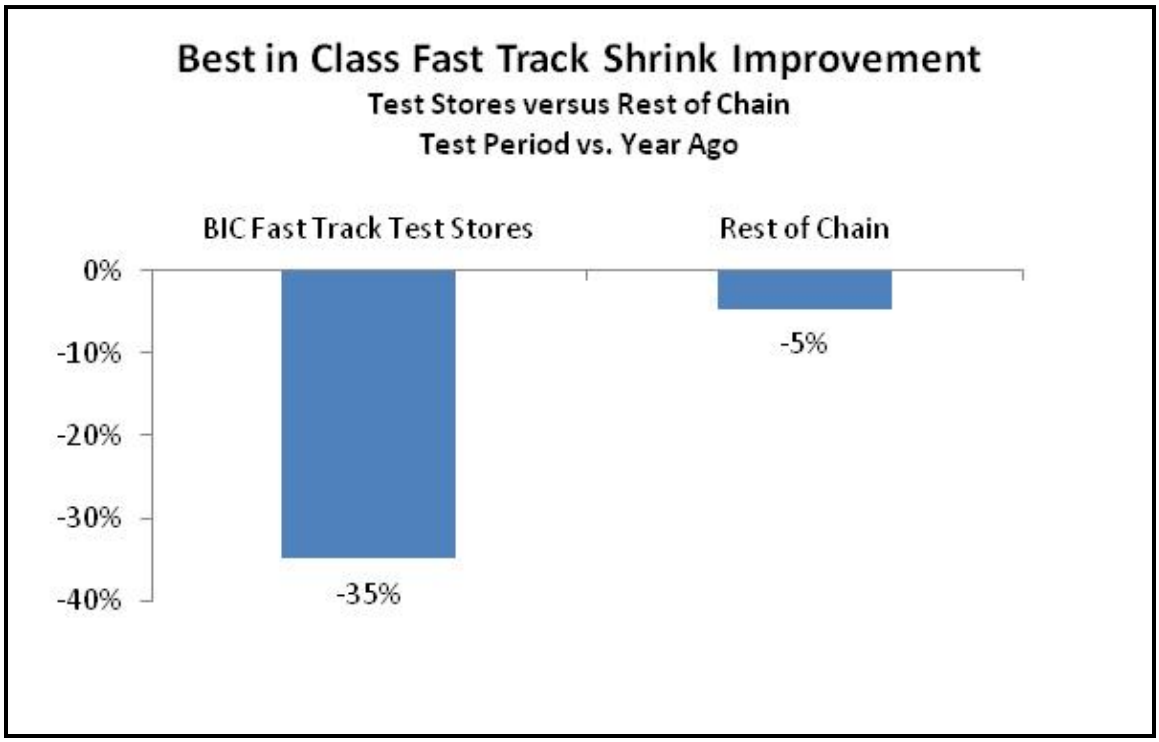
Measuring Results

In most cases, shrink data will need to be provided to you by the retailer for analysis. In a handful of cases, the Perishables Group receives shrink data to integrate into the syndicated data set.

To analyze shrink, the following scenarios should be investigated:

1. Did overall category shrink improve in the test stores versus the control stores? Versus the rest of chain?
2. How did shrink vary across bag and bulk products?
3. How did shrink vary across the potato subcategories (bargain, mainstream, premium, specialty, value add)?

At Best in Class retailers, shrink has increased as much as 30% at test stores compared to the rest of chain.



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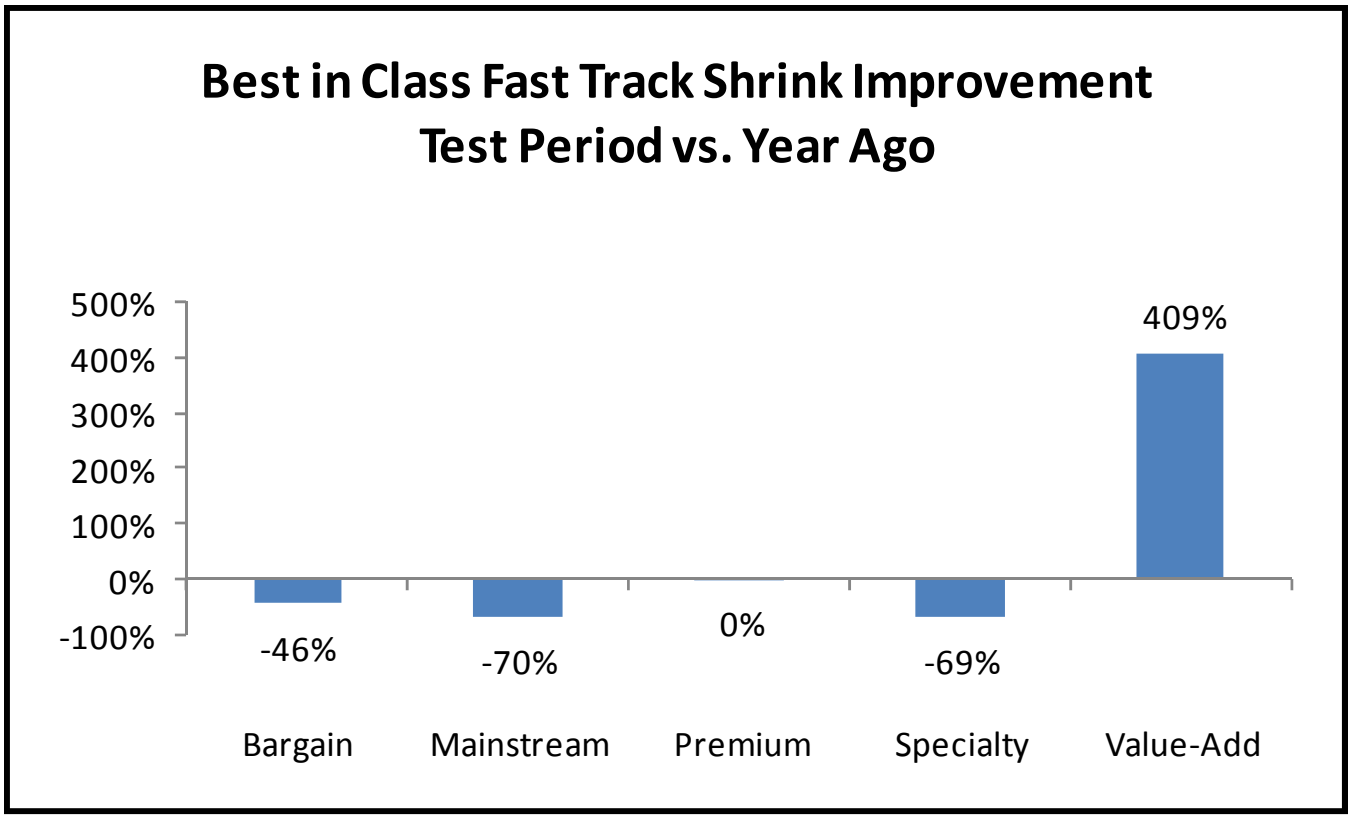
Measuring Results

Analyzing shrink by subcategory can alert you of improvements, as well as issues, by the particular type of product. Below, shrink across the potato subcategories decreased or remained for all except value-add . For this particular test, assortment of value-add products grew from one unique item to five items sold per store. This increase in product assortment; however, also increased shrink for the value-add subcategory. As a next step, analyzing the performance of value-add products at the store level can allow you to provide appropriate recommendations of any product adds or drops that should take place by store. In addition, providing retailers options to order small quantities may be required for new value-add products.



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Overcoming Retailer Objections

Retailers may feel Best in Class merchandising requires more labor to restock and maintain the set. This may be true in some cases, as we recommend stacking only 2-3 bags high, and stocking only the amount of product required. Retailers accustomed to stocking a significant amount of product on a set will be required to watch their set more closely.

However, the positive impact on shrink negates any additional labor required to maintain the set. Participating retailers have realized significant improvements in shrink, as well as improvements in ordering processes:

Overcoming Objections

- The Best in Class program has proven merchandising and assortment recommendations can improve shrink. At one retailer, shrink percentages dropped over 30% compared to the rest of chain. This equaled a cost savings over $1,500 in a 12-week test period.
- Produce Managers indicated it is easier to order under BIC since there is a defined slot for all potato types, making it easy to determine what product they need.

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