

The



Perspective

Monthly Industry Newsletter | July 2010



Perishables Group®

THE IMPORTANCE OF ASSORTMENT IN FRESH

The amount of new varieties and products competing for space in the fresh departments is growing rapidly, including a surge in value-added and private label items. These factors are resulting in more products fighting for less space.

Congruently, there is greater pressure to create store-level efficiencies and reduce costs such as labor and shrink. Many major retailers responded to these pressures by trimming the array of items they carry. A recent Nielsen study found that food channel stores decreased their average variety by 1% during 2009.

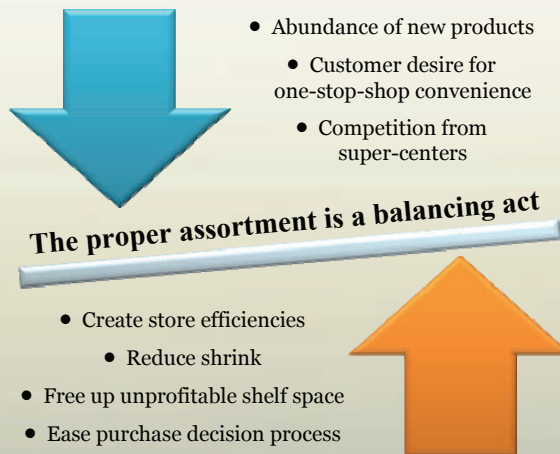
There is an intricate balance between trimming assortments so as not to overwhelm consumers and carrying enough variety to maintain customer loyalty, evidenced by more than half of U.S. consumers saying they are likely to shop elsewhere if they notice a store is reducing selection (Nielsen).

Understanding category assortment is important now more than ever, and finding the ideal array of products for your unique customer base is increasingly complex.

Competition for shelf space is especially strong in the value-added refrigerated case of the produce department, as this space is limited and the number of new value-added items continues to multiply. Stores are carrying more prepared fruit SKUs than prepared vegetables, and the trend will continue. The average per-store item count of prepared fruits increased 8.8% in the latest 52 weeks ending May 29, 2010 - the most of any fruit category - while the number of prepared vegetable items grew 0.9%.

Another factor impacting assortment in the fresh categories is the shift from unbranded bulk items to private label and brands. On average, 13 of 14 fruit categories increased SKU count of branded

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INDUSTRY POLL

What do you think of the gourmet food truck trend?

- I love it. It's great local food at reasonable prices.
- It's a fun change from restaurants, but it's just a fad.
- I don't like it. I prefer to have a place to sit when I eat.
- I don't know anything about it.

To answer our industry poll, [click here](#).

ABOUT PG

The Perishables Group is a Chicago-based consulting firm focuses on creating innovation and value for clients in the fresh food industry. Through an alliance with Nielsen, the Perishables Group specializes in consumer research, advanced analytics, marketing communications, category development, supply chain management and activity-based costing.

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items. Sales of avocados increased 11.7% in the latest 52 weeks; with much of the sales increases coming from brands such as Dole and Chiquita.

Key vegetable categories are showing the opposite trend, with 16 of 19 vegetable categories favoring private label growth. Packaged salads, a heavily branded category, actually declined 7.3% in branded SKUs while increasing 58.6% in private label. Prepared vegetables, another prominently branded category, declined 2% in branded SKUs and increased 10% in private label SKUs in the latest 52 weeks.

Also of interest in produce assortment is the ratio of bulk versus packaged products. Citrus, a traditionally bulk category, now sells one third of its items in packages. The same holds true for potatoes; the average store sells more than half of its potato selection in packages.

Determining which items are best to carry or cut depends on more than sales performance. It's imperative to understand the outcomes of various changes through methods such as:

- Analyzing item-level comparisons with a store's rest-of-market to identify SKUs that should be added
- Factoring in regional flavor and brand preferences
- Assessing the sales and profit impact of SKU add/drop scenarios versus the current assortment

Assessing and eliminating gaps and duplication in assortment at a regional, market or account level can lead to improved space utilization and efficiency, and drive overall category sales and profits.

For more information on assortment optimization in the produce department, as well as the bakery, deli, meat and seafood departments, contact the Perishables Group.

*SKU count measured by *impressions per store per week*, defined as the count of unique stores and weeks in which an item is in distribution

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