



PERISHABLES GROUP

Keeping Your Business Fresh

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Mushroom Category Best Practices (BP's)

**Produce Departments with sales above
\$32,000 and Household Incomes above
\$30,000 dollars**



**MUSHROOM
COUNCIL**



FRESHFACTS™



Presentation Outline

Background

Current Views

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Pricing BP's

Promotion BP's

Merchandising BP's



Background

Since 1999, the Mushroom Council has been working with the Perishables Group Inc. collecting data, developing case studies and retail plans, publishing reports, and doing research on the mushroom category. Data collected to date has included:

- ◆ **Regional and National composite data**
 - ▲ **1998, 1999, 2000, 2001**
 - ▲ **Over 30 Chains**
 - ▲ **Over 3,500 stores**
- ◆ **Retailer data representing specific chains**
 - ▲ **SaveMart**
 - ▲ **Schnucks**
 - ▲ **Genuardi's**
 - ▲ **A&P**
 - ▲ **SuperTarget**
 - ▲ **Kroger**



Current Views

Recent research has focused on shrink and overall mushroom performance in the category. Some significant findings have been recorded that separate mushroom performance by demographics and department size. The results have shown 3 separate mushroom classifications (sets) that include:

- ◆ **Produce Departments with sales above \$32,000 and Household Incomes above \$30,000 dollars (Demographic 1).**
- ◆ **Produce Departments with sales below \$32,000 and Household Incomes above \$30,000 dollars (Demographic 2).**
- ◆ **Produce Departments with sales below \$32,000 and Household Incomes below \$30,000 dollars (Demographic 3).**



What are Best Practices?

BP's help the retailer, grower/shipper, and more importantly the consumer receive the most value from the mushroom category.

Best Practices

Assortment

- ✓ Consumer based
- ✓ Full variety
- ✓ Maximize performance

Merchandising

- ✓ Consumer based
- ✓ Communicates category strategy



Pricing

- ✓ Tiered segments
- ✓ Strategic price points

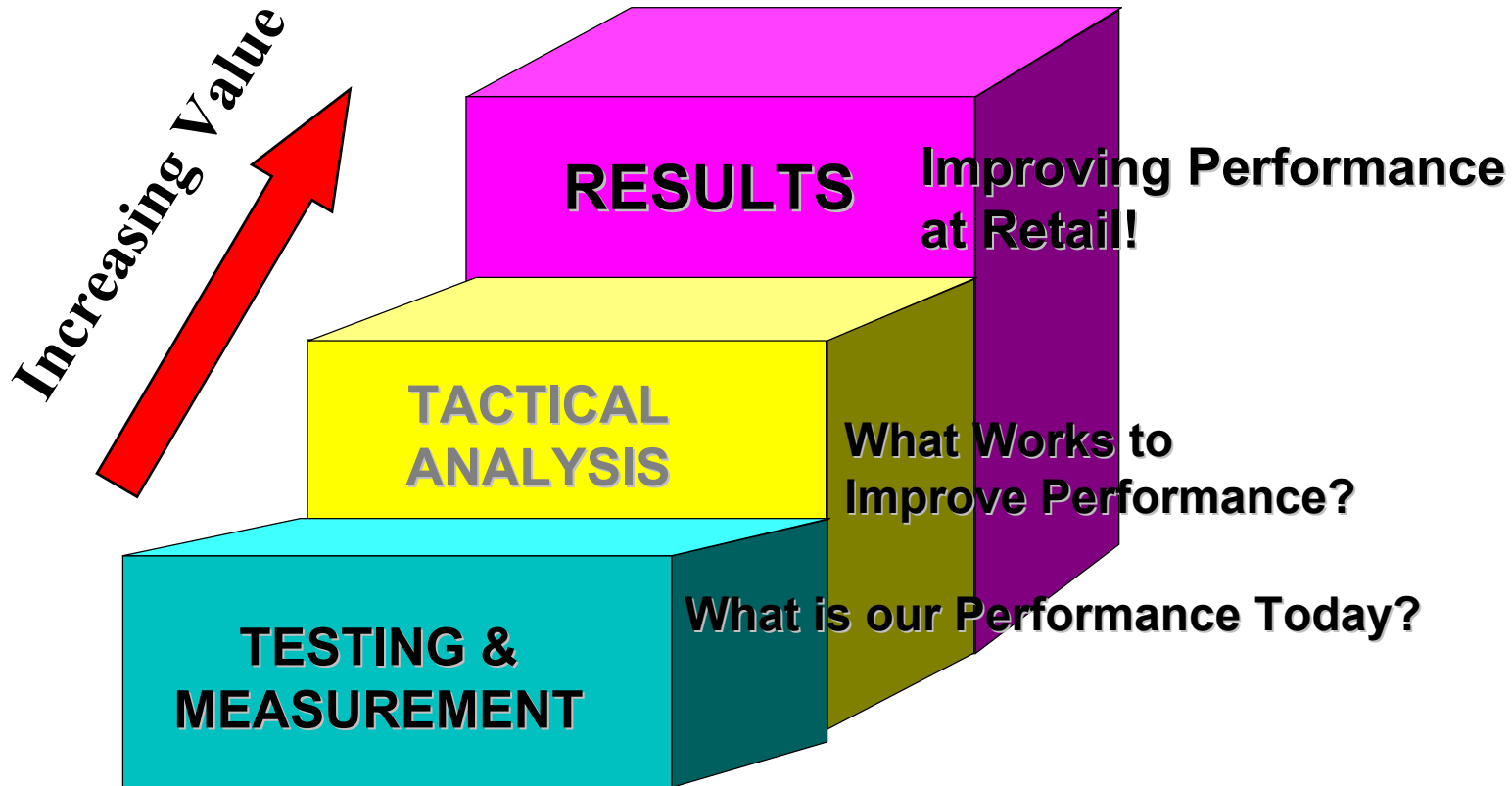
Promotion

- ✓ Cross-merchandise
- ✓ Fact-based promotional plans



How Are They Developed?

Developing standards and best practices for the category will help improve overall Return on Investment.





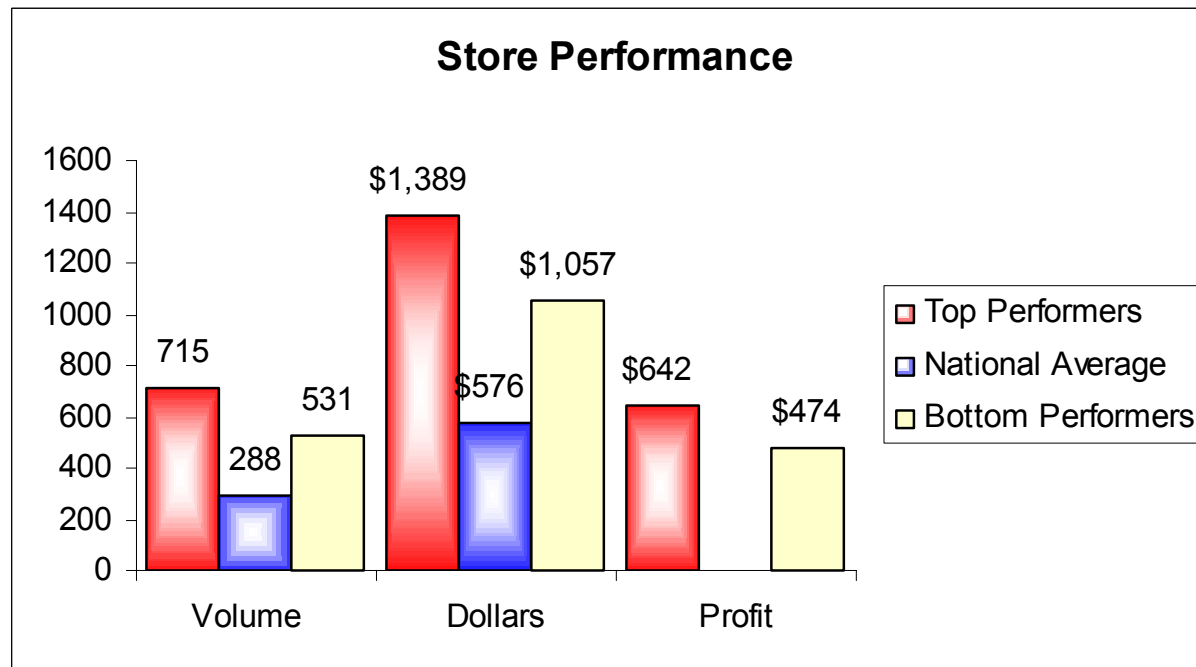
Performance:

**Produce Departments with sales above
\$32,000 and Household Incomes above
\$30,000 dollars**



Category Performance Targets

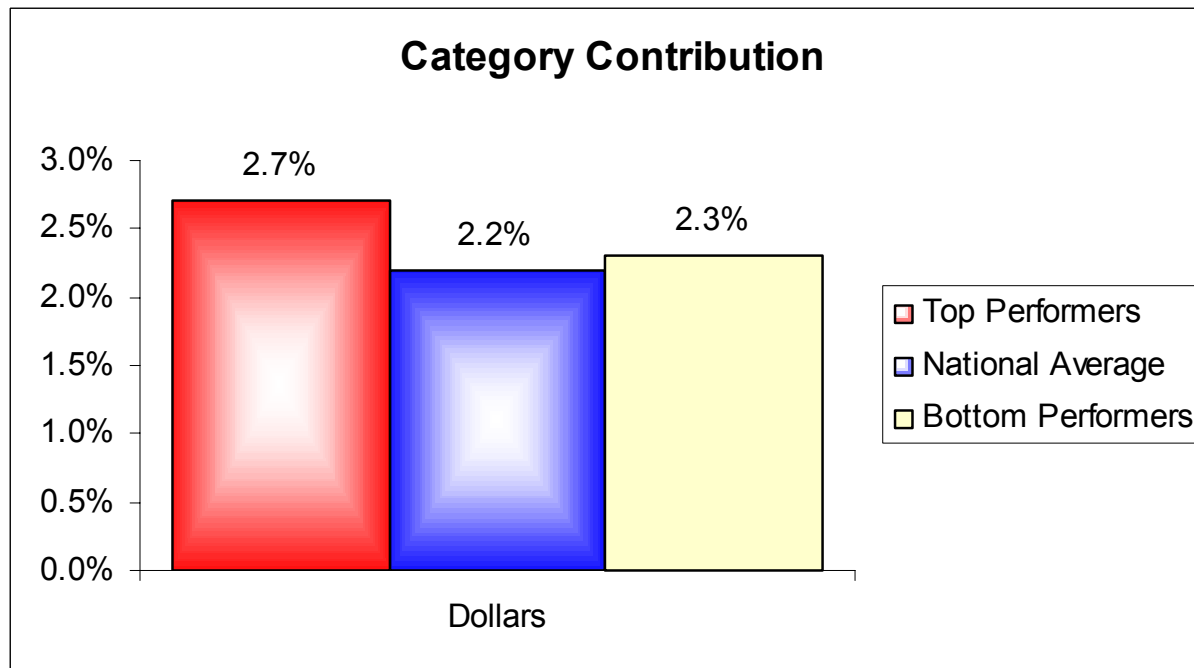
Stores in demographic 1 are performing exceptionally well! Volume and dollars are more than double that of the National average!





Category Performance Targets

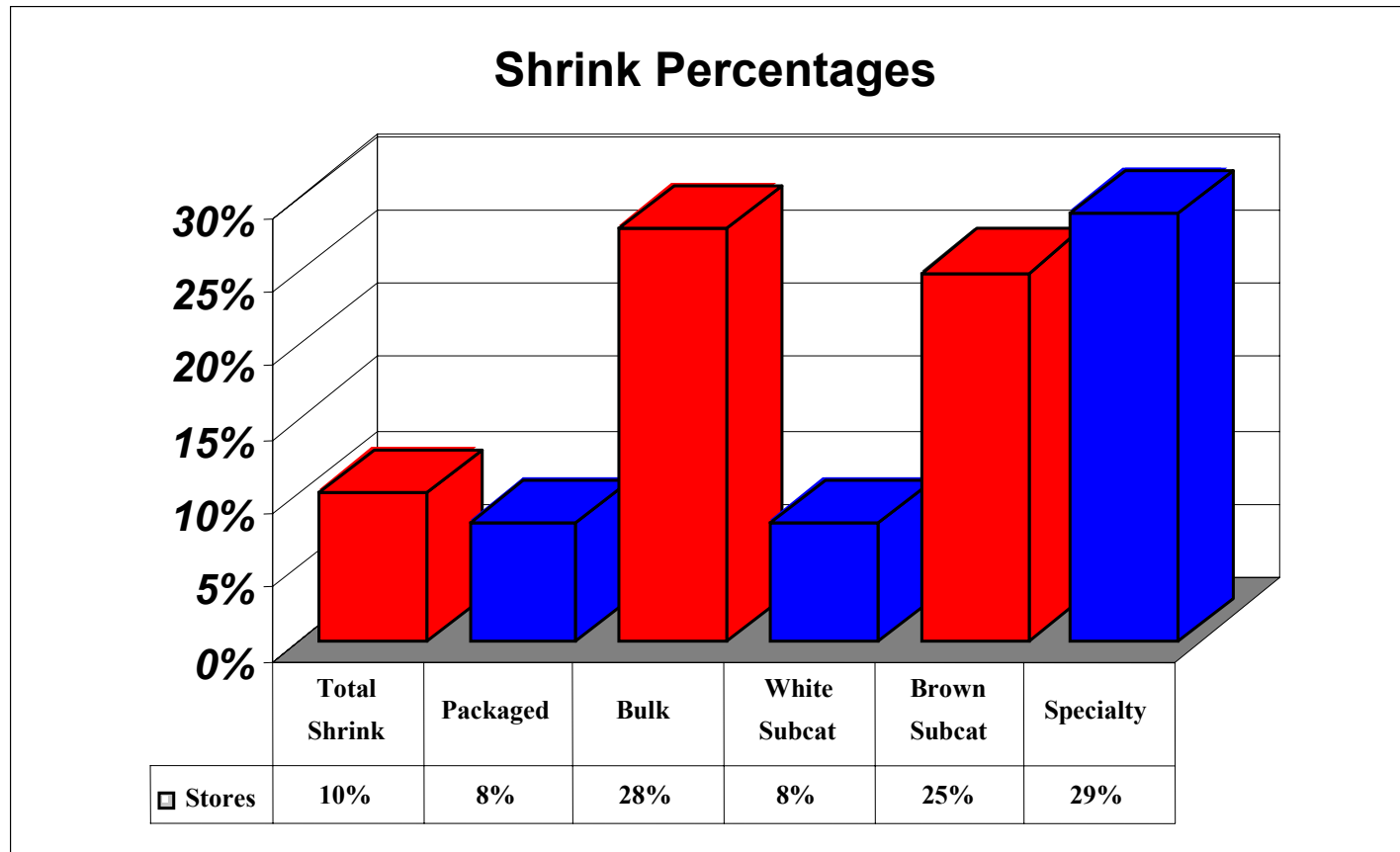
Mushroom category contribution to both dollars and profit in demo 1 stores are at 2.7%! The National average is 2.2%.





Category Performance Targets

Shrink in demo 1 stores is averaging only 10%! The brown and specialty subcategories are contributing over 20%.





Assortment Best Practices

Produce Departments with sales above \$32,000 and Household Incomes above \$30,000 dollars



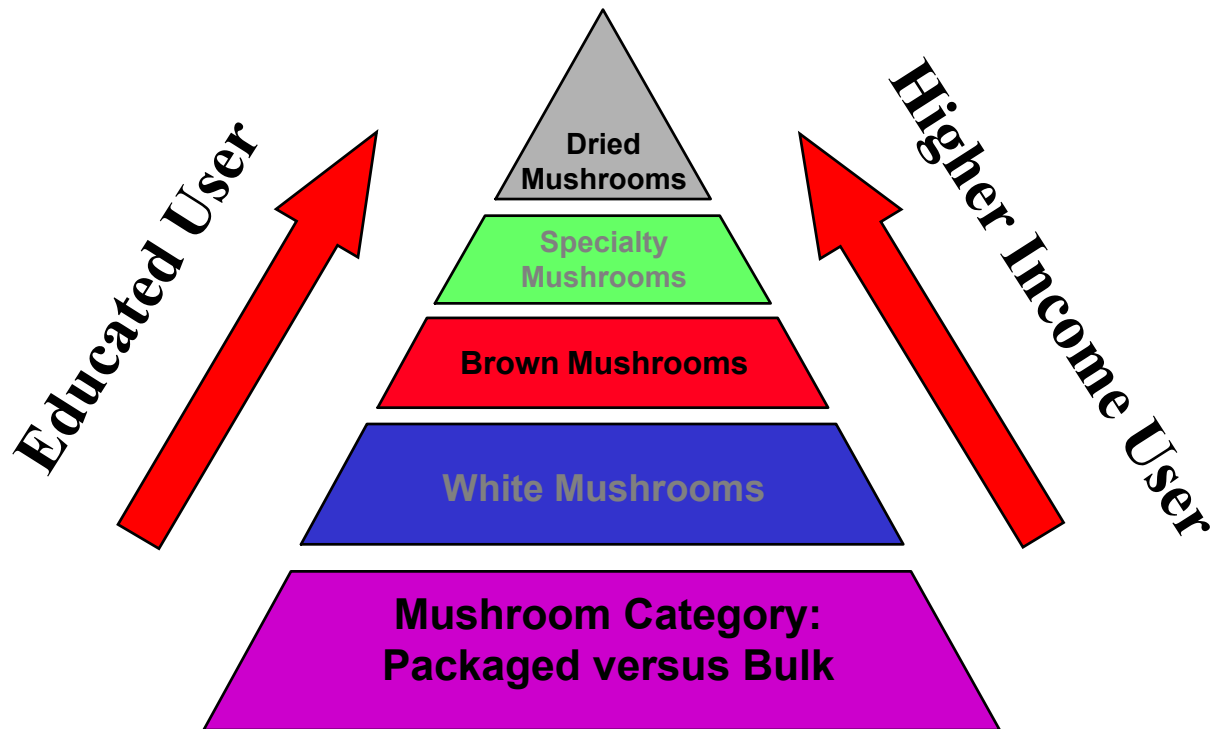
Assortment

Optimize the mushroom category with a consumer based segmentation strategy, and drive sales with the right assortment. Looking at the 4 subcategories:

- ◆ **White mushrooms - Whites are the mushroom category staple, representing over 89% of category volume.**
- ◆ **Brown mushrooms - Browns follow whites in volume share at roughly 10% of category volume.**
- ◆ **Specialty mushrooms - Specialty mushrooms represent 2% of category volume.**
- ◆ **Dried mushrooms - Category representation is under 1% of volume.**



The Assortment Pyramid



Educated high income consumers are more likely to buy specialty mushrooms.



Assortment

BP

1. Carry both packaged and bulk mushrooms.

Packaged mushrooms offer the consumer convenience, while bulk allows the consumer to purchase select quantities. Packaged and Bulk whites, browns, and specialty product should be carried in stores to optimize assortment.

Packaged should represent 85% of volume and bulk 15%.



BP

2. Utilize white mushrooms to drive category volume.

White mushrooms should drive traffic in the mushroom category, and represent 89% of volume.

Stores following this protocol are averaging \$1,389 dollars per store per week compared to a National average (2001) of \$576.



Assortment

BP

3. Use the Brown and Specialty categories to drive gross profit dollars.

Use brown and specialty mushrooms as the mushroom category profit generators. Healthy profit margins of 50% can be attained at competitive prices.

The brown subcategory should represent 10% of category volume and specialty 1%.



BP

4. Limit exposure of bulk specialty mushrooms to high end stores.

Current shrink on specialty bulk is averaging 60%. Packaged specialty sales help make bulk sales a viable option.

Use packaged specialty product to introduce consumers to other mushroom varieties.

Use specialty bulk mushrooms as an image enhancer.



Assortment

BP

5. Carry an average of 16 SKU's.

SUBCATEGORY	ASSORTMENT	
	PACKAGED	BULK
White	Whole 8oz Sliced 8oz Whole 16oz	Large
Brown	Sliced Portabellas Whole Portabellas Italian Brown/Crimini Baby Portabella	Portabellas Italian Brown/Crimini
Specialty	Shiitake Oyster Enoki	
Dried	3 Varieties	
TOTAL SKUS:	13	3

Profit maximization can be attained with full variety.



Pricing Best Practices

**Produce Departments with sales above
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BP

- 1. Target multiple consumers by tier pricing mushroom subcategories and segments.**

Price packaged mushrooms between \$1.60 and \$3.99 each, and bulk retails between \$2.49 and \$5.99 a pound to accurately target various mushroom consumers.

Category margins should range between 45% and 50%.



Pricing

Pricing

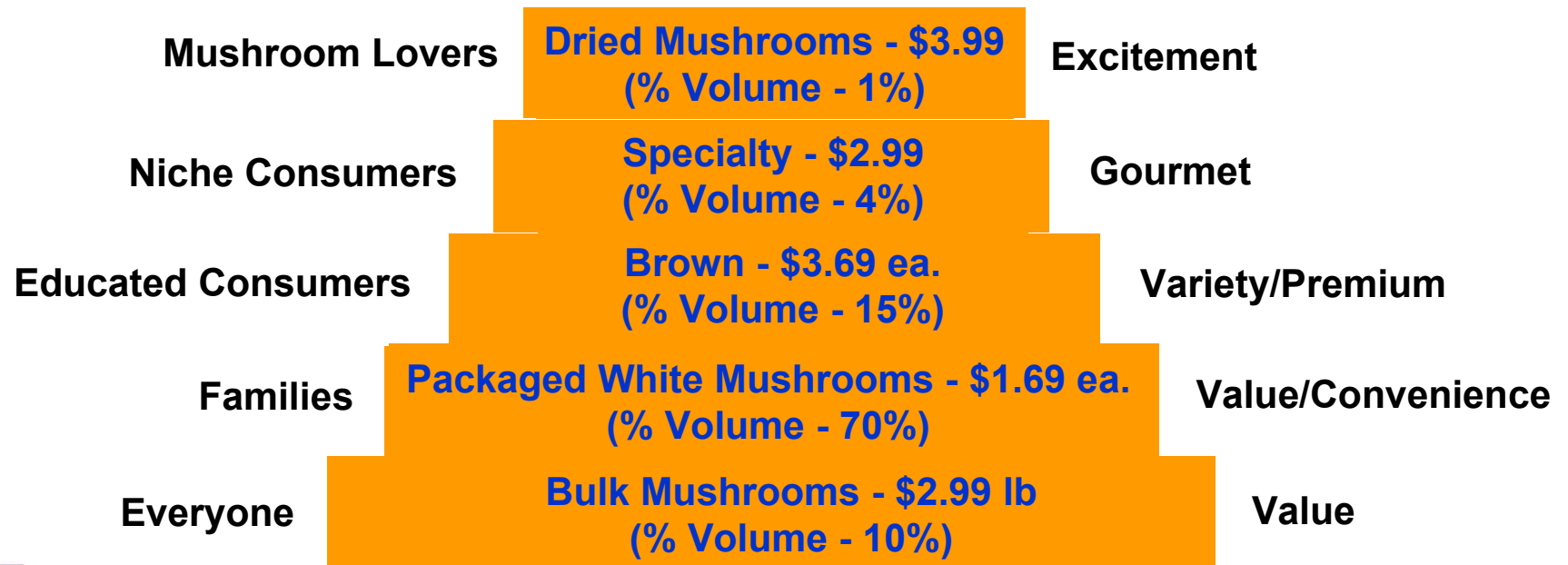
Tier pricing helps match the right price to the right product, and positions mushrooms for the appropriate consumer.

Mushroom Category Price Tiers

Target Consumer

Category Segment

Image





BP

2. Attract the every-day user, and create a value priced image with white packaged mushrooms.

Pricing Whites competitively between \$1.59 and \$1.69 for 8oz whole, and 8oz sliced at a premium between \$1.79 and \$1.89, helps develop the foundation for the category. This strategy also encourages regular purchasing habits with consumers.



Pricing

BP

3. Price Brown and Specialty mushrooms competitively to attract consumers who want to upgrade from every-day white purchases.

Price packaged brown and specialty mushrooms between \$2.29 and \$3.89 each. Bulk brown product should be value priced at retails between \$3.69 and \$5.99 a pound. Product sampling and cooking demos will help attract new users.



BP

4. Price bulk mushrooms at price-points that offer a savings to consumers when compared to packaged product.

The bulk category needs to be re-positioned to stop the current yearly sales declines of 8%.

Bulk mushrooms offer the consumer an opportunity to buy a select amount of product.



Pricing

Below are pricing recommendations based on current strategies of successful retailers.

Mushroom Pricing	
Packaged (each)	Target Price
Whole 8oz	\$ 1.69
Sliced 8oz	\$ 1.79
Whole 16oz	\$ 3.09
Sliced Portabellas	\$ 3.89
Whole Portabellas	\$ 3.69
Italian Brown/Crimini	\$ 2.29
Baby Portabella	\$ 2.99
Shiitake	\$ 2.59
Oyster	\$ 2.59
Enoki	\$ 2.59
Dried Product	\$ 3.29
Bulk (per pound)	
Large White	\$ 2.79
Portabellas	\$ 5.99
Italian Brown/Crimini	\$ 3.69



Promotion Best Practices

**Produce Departments with sales above
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Promotions

BP

1. Utilize White packaged mushrooms to drive category volume. Discounts should average 33%.

Promotions should complement everyday pricing.

Key promotional drivers are:

- ◆ *frequency of promotions.*
- ◆ *items promoted.*
- ◆ *type and size of promotion.*
- ◆ *display space.*
- ◆ *level of discount.*
- ◆ *price-point.*



Promotions

BP

2. Hot price (40-50% discounts) on packaged white's drive the highest category volume and dollars.

To drive traffic and number of transactions, advertise white packaged mushrooms at deep discounts. Volume and dollars normally double with deep discount promotions.

The drawback is that category profits are usually negatively impacted with these types of ads.



Promotions

BP

3. Promote brown or specialty mushrooms in combination with white packaged product for profit building promotions.

The most effective ads from a gross profit standpoint are those ads which represent multiple subcategories. Category profit normally increases 30% when multiple items are advertised at the same time.



Promotions

BP

4. Use promotions to attract new consumers to the category.

Four promotions per quarter should be run during Q1 and Q4. Seven promotions should be run per quarter during Q2 and Q3.

Heavier ad emphasis should take place during the summer and fall to help counteract sales being taken away by summer fruit and vegetable programs.



Promotions

Here's a promotional planner that can help you in maximizing your Return on Investment.

Promotional Planner

Prmn Date	Promotion Items / Description	Promotion Type	Promotion Price	In-Store Activity
Quarter One		Spring		
Week 4	Specialty ad	Subfeature	25% off pricepoint	Chinese New Year
Week 7	White/Brown Combo ad (include bulk)	Subfeature	30% off pricepoint	
Week 9	White/Specialty Combo Ad (include bulk)	Subfeature	30% off pricepoint	
Week 11	Hot White single item ad	Feature	45% off pricepoint	Salad Theme
Quarter Two		Summer		
Week 13	White/Brown Combo ad (include bulk)	Subfeature	30% off pricepoint	
Week 15	White/Specialty Combo Ad (include bulk)	Subfeature	30% off pricepoint	
Week 17	Hot White single item ad	Feature	45% off pricepoint	Salad Theme
Week 19	Sampling/Demo Ports	Subfeature	25% off pricepoint	Grilling Theme
Week 21	Portabella Ad	Subfeature	35% off pricepoint	Memorial Day
Week 23	White/Brown Combo ad (include bulk)	Subfeature	30% off pricepoint	
Week 26	Hot White single item ad	Feature	45% off pricepoint	Salad Theme

Promotional Planner

Prmn Date	Promotion Items / Description	Promotion Type	Promotion Price	In-Store Activity
Quarter Three		Fall		
Week 27	White/Specialty Combo Ad (include bulk)	Subfeature	30% off pricepoint	4th of July/Shiskabob theme
Week 29	White/Brown Combo ad (include bulk)	Subfeature	30% off pricepoint	
Week 30	Hot White single item ad	Feature	45% off pricepoint	Salad Theme
Week 31	Specialty ad	Subfeature	25% off pricepoint	
Week 33	Sampling/Demo Ports	Subfeature	25% off pricepoint	Cooking Theme
Week 35	Hot White single item ad	Feature	45% off pricepoint	Salad Theme
Week 36	Portabella Ad	Subfeature	25% off pricepoint	Labor Day/Grilling Theme
Quarter Four		Winter		
Week 39	White/Brown Combo ad (include bulk)	Subfeature	30% off pricepoint	
Week 45	Sampling/Demo Ports	Subfeature	25% off pricepoint	Italian Theme
Week 47	Specialty ad	Subfeature	30% off pricepoint	Thanksgiving
Week 52	Hot White single item ad	Feature	45% off pricepoint	Salad Theme



Merchandising Best Practices

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Merchandising

BP

1. Dedicate 28 square feet to mushrooms.

How your product is displayed plays an important part of overall category growth.

White packaged mushrooms should represent 50% (14 square feet) of category space to maximize sales.



BP

2. Place Mushrooms between the salads and cooking vegetables for the best cross-merchandising opportunities.

Multiple consumer cooking needs can be met within a limited amount of store space. The NPD group found that 15.9% of consumers surveyed use mushrooms in salad, while 12.4% prepare with pasta. Keep mushrooms in the middle for maximum sales.



Merchandising

BP

3. Merchandise all mushrooms in the same location.

By merchandising all mushrooms together, consumers are exposed to a full assortment. Consumers are more likely to try new varieties, and compare prices more easily. Consumers will not go out of their way to search for a particular mushroom on their shopping list if the product is not in view.



Merchandising

BP

4. Target a \$50 per square foot space to sales ratio for mushrooms.

Proper space allocation allows mushrooms to contribute significant space to sales ratio's.

Current department space to sales ratios are between \$30 to \$35 dollars per square foot.



BP

4. Target an optimum shrink percentage of 10%.

Shrink is an accepted part of doing business, but can be minimized/optimized if handling protocols are in place at retail.

Target 8% or less shrink for packaged mushrooms. Optimal bulk targets are 25%.



Merchandising

Proper space-to-sales can mean the difference between a good and a great department!

SEGMENT	Square Footage	Dollars per sq. feet	Volume %	Shrink %
Packaged	21	\$ 56	85%	8%
Bulk	7	\$ 15	15%	28%
SUBCATEGORY				
White	14	\$ 88	89%	8%
Brown	6	\$ 10	10%	25%
Specialty	1	\$ 1	1%	29%
TOTALS:	28	\$ 50	100%	10%