

# BEST PRACTICE FINDINGS FOR THE MUSHROOM CATEGORY

Over the past three years, the Mushroom Council has conducted extensive research in order to understand how retailers can maximize sales and profits in the mushroom category. The Mushroom Council collected data from 30 chains representing more than 3,500 stores nationwide. By looking at top and bottom performing stores, and conducting extensive in-store tests on assortment, shrink, position, merchandising and promotion evaluation, the Mushroom Council has identified quantifiable tactics that yield best performances.

Following is an executive summary of mushroom category best practice findings in each of the four areas. All of the best practice recommendations will give an in-depth view of how these retailers improved profitability in the mushroom category.

## Findings Summary of Top Performing Stores (TPS)

**Assortment:** TPS sell 80 percent of their mushroom volume in white mushrooms. In low income areas the TPS sell 90 percent of volume in white mushrooms.

**Pricing:** TPS priced sliced packaged mushrooms 20-25 cents higher than whole mushrooms of same pack size. Consumers say sliced mushrooms are a convenience for which they are willing to pay more.

**Promotion:** TPS ran an average of six ads per quarter to maximize category growth and profits and found ads with multiple mushroom segments are the most effective.

**Merchandising:** TPS dedicate at least four (4) linear feet to mushrooms. A department averaging less than \$32,000 is 16 square feet, while a department averaging above that is 24.

All of these best practices findings are built around the following mushroom category segmentation:

**White Mushrooms:** White mushrooms drive the entire mushroom category; and are the staple of mainstream consumers.

**Brown Mushrooms:** Primarily Portabellas followed by Baby Bellas (Italian Brown/Crimini); trade up consumers looking for more variety.

**Specialty Mushrooms:** Shiitakes, Enokis and Oysters; attract educated, high-income consumers who love to cook.

**Dried Mushrooms:** Dried mushrooms make up about 1 percent of total volume; stock for true mushroom lovers and gourmet cooks.

White mushrooms, the category leader, deliver sales per square foot at nearly twice the average of the produce section as a whole. Brown and specialty mushrooms benefit the category further by delivering higher profits. The mushroom industry has responded to current consumer purchase trends of easy-to-use, convenient products with a washed mushroom item and a wider variety of sliced products available at retail.

## ASSORTMENT

### How Top Performing Stores Succeed

#### Fine-tune mushroom assortment to the customer base

TPS match the consumer demographics of the region and stores and adjust the mushroom assortment accordingly. High income stores sell a higher percentage of brown mushrooms and bulk specialty mushrooms; bulk mushroom sales are higher in the West and in the Northeast. In the Midwest and South, TPS increase the focus on the brown, specialty and bulk segments, items that historically under perform.

#### Drive the category with white mushrooms

TPS offer a full variety of white mushrooms - whole, sliced, stuffers, and small buttons - to build the mushroom category. They get 80 percent of their mushroom volume from white mushrooms and increase this to 90 percent in low income areas.

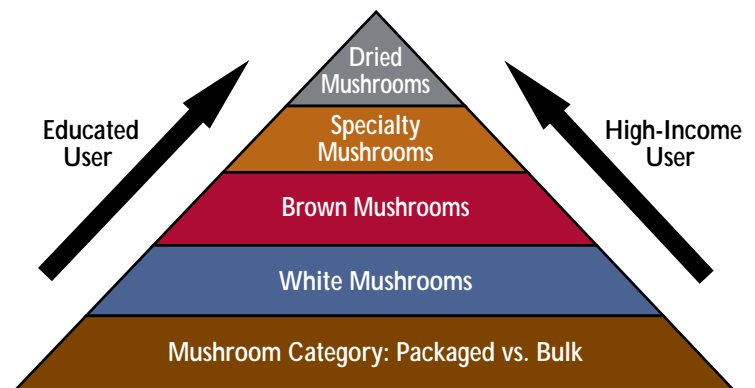
#### Carry a mixture of packaged and bulk mushrooms that cater to a variety of customers

For consumers, pre-packaged means convenience, but bulk mushrooms convey the produce section's "freshness" image. TPS use bulk mushrooms to attract consumers who don't normally purchase mushrooms due to their perishability. A study of stores in the West carrying a mixture of both pre-packaged and bulk mushrooms generated eight times as much in bulk dollar sales and 35 percent more in weekly dollar sales compared to a national composite of retailers.

#### Use brown, specialty, and dried mushrooms to round out the category and boost gross profits

In TPS, brown mushrooms represent 16 percent of category volume, specialty mushrooms 3 percent, and dried 1 percent respectively. These segments drive healthy profit margins at competitive prices, helping TPS maintain overall profitability and generate incremental sales. TPS with lower income carry a mix of 8 percent browns, 1 percent specialty and 1 percent dried.

*TPS maximize profit in the mushroom category, carry an average of 16 SKUs, including white, brown, specialty and dried mushrooms, packaged and in bulk. Lower income stores carried 11 SKUs on average.*



## PRICING

### Top Performing Stores (TPS) get a Premium Price for Sliced Mushrooms

#### Premium pricing for sliced white mushrooms sets the category foundation

TPS offer both sliced and whole packaged white mushrooms at attractive prices to strengthen the category's foundation.

#### Tier-price the mushroom category based on consumer value

Tier pricing mushroom items in TPS matches multiple consumers with the right price in order to add value and profits. TPS pricing tiers start at \$1.69 for packaged white mushrooms that appeal to families interested in value and convenience, and goes up to \$3.49 for dried mushrooms that target true mushroom lovers.

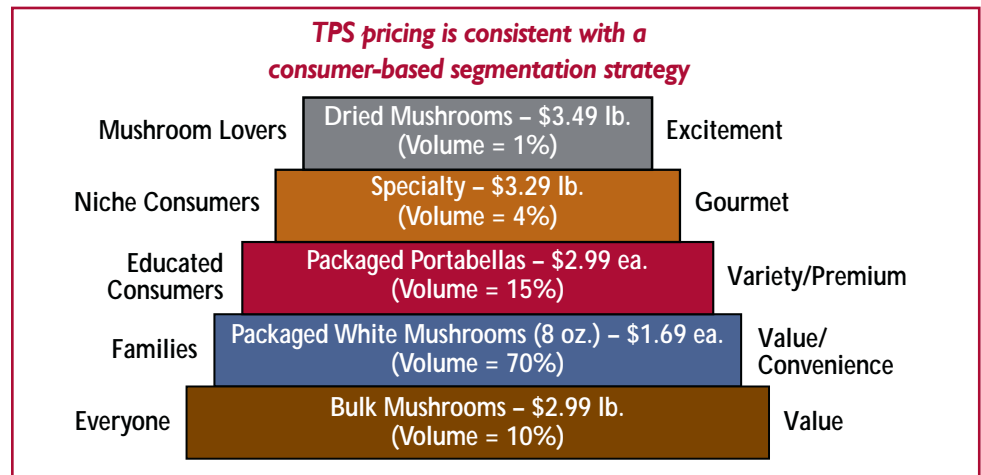
#### Price to reflect mushroom assortment

Tier pricing helps position mushrooms for the appropriate consumer.

#### Price all bulk mushrooms to deliver value to consumers

Customers understand the value of buying in bulk: nationally, consumers buying in bulk save an average of \$ .35 a pound when compared to packaged mushrooms.

By pricing whites, brown and specialty bulk mushrooms competitively, TPS attract customers interested in buying a smaller amount of mushrooms or those looking to upgrade to a variety mushroom.



## PROMOTIONS

### Summer Mushroom Promotions with Top Performing Stores

#### Continue to promote mushrooms during the summer

TPS take advantage of the largest opportunity gap in mushroom sales during the summer when promotional efforts are lower. Mushrooms are the perfect ingredients in salads and portabellas are great grilled.

#### Promote an average of three items for the highest impact

TPS studies show that the most effective ads, from a volume and gross profit standpoint, are those with multiple mushroom segments represented. For example, TPS promote packaged whites with brown and specialty mushrooms.

#### Promote frequently, but not so often that consumers depend on discounts

TPS use promotions to attract new customers and generate new purchases that would not have been made without discounts. Studies indicate that six ads per quarter maximize category growth and profits.

#### Focus on packaged white mushrooms to drive volume

TPS promote packaged white mushrooms at a 33 percent discount. Volume and profit lifts of 115 percent and 50 percent respectively were achieved by TPS.

#### Drive incremental sales with sampling, demos and POP materials

TPS educate consumers with in-store marketing programs to increase consumption and attract new consumers. Try-Foods research found that 40.2 percent of consumers look for recipes at the supermarket, and 81.7 percent of consumers who pick up a recipe buy ingredients during that store visit. Research conducted in 2002 showed that a recipe booklet made available to consumers in July increased sales on featured varieties by 70 percent, while the rest of the category declined.

**NOTE:** The term promotion is used in the context of ads that are run by retail chains and has nothing to do in relation to overall Mushroom Council activities.

## PROMOTIONS (continued)

*Top Performing Stores take full advantage of the mushroom category's potential, They focus on the category throughout the year and do not ignore the summer months.*

### PROMOTIONAL PLANNER

Promotion Date	Promotion Items / Description	Promotion Type	Promotion Price	In-Store Activity
First Quarter – 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	Salad Theme
	Week 11 Hot White single item ad	Feature	45% off pricepoint	
Second Quarter – SUMMER	Week 13 White/Brown combo ad (include bulk)	Subfeature	30% off pricepoint	Salad Theme
	Week 15 White/Specialty combo ad (include bulk)	Subfeature	30% off pricepoint	
	Week 17 Hot White single item ad	Feature	45% off pricepoint	Grilling Theme
	Week 19 Sampling/Demo Portabellas	Subfeature	25% off pricepoint	
	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
Third Quarter – FALL	Week 27 White/Specialty combo ad (include bulk)	Subfeature	30% off pricepoint	Salad Theme
	Week 29 White/Brown combo ad (include bulk)	Subfeature	30% off pricepoint	
	Week 30 Hot White single item ad	Feature	45% off pricepoint	Cooking Theme
	Week 31 Specialty ad	Subfeature	25% off pricepoint	
	Week 33 Sampling/Demo Portabellas	Subfeature	25% off pricepoint	Salad Theme
	Week 35 Hot White single item ad	Feature	45% off pricepoint	
	Week 36 Portabella ad	Subfeature	25% off pricepoint	
Fourth Quarter – WINTER	Week 39 White/Brown combo ad (include bulk)	Subfeature	30% off pricepoint	Italian Theme
	Week 45 Sampling/Demo Portabellas	Subfeature	25% off pricepoint	
	Week 47 Specialty ad	Subfeature	30% off pricepoint	Thanksgiving
	Week 52 Hot White single item ad	Feature	45% off pricepoint	

## MERCHANDISING

### Top Performing Stores Grow the Mushroom Category with Merchandising

#### Dedicate at least four (4) linear feet to mushrooms

TPS with departments averaging less than \$32,000 dedicated 16 square feet, while departments averaging above that dedicated 24.

#### Display mushrooms between cooking vegetables and the salad category

TPS place mushrooms between these two sections, to create a cross merchandising effect that will meet multiple customers' cooking needs. Mushrooms are a key ingredient for cooks.

#### Target an optimum shrink percentage between 10 percent and 12 percent

#### Merchandise mushrooms together

TPS grow brown and specialty mushroom sales by placing them prominently with white mushroom offerings to create the effect of one-stop shopping.

#### Target a \$50 per square foot space-to-sales ratio for mushrooms

TPS promote the mushroom category as a destination for customers while maintaining the appropriate space to sales ratios.

#### Cross merchandise sliced mushrooms with bagged salads and merchandise packaged mushrooms in the meat department

**M E R C H A N D I S I N G (continued)**

*Top Performing Stores allow the mushroom category to grow with the proper space-to-sales ratio.*

**AVERAGE STORE SET**

SEGMENT	Square Footage	Dollars per Square Feet	Volume %	Shrink %
Packaged	18	\$56	85%	8%
Bulk	6	\$15	15%	28%
<b>SUBCATEGORY</b>				
White	16	\$69	80%	8%
Brown	6	\$17	16%	25%
Specialty	1	\$ 7	3%	29%
Dried	1	\$ 7	1%	0%

**LOW INCOME SET**

SEGMENT	Square Footage	Dollars per Square Feet	Volume %	Shrink %
Packaged	14	\$37	90%	8%
Bulk	2	\$67	10%	20%
<b>SUBCATEGORY</b>				
White	12	\$48	90%	8%
Brown	3	\$15	8%	20%
Specialty	0.5	\$33	1%	25%
Dried	0.5	\$10	1%	0%

**AVERAGE STORE SET:  
MULTI-DECK,  
SIX-FOOT SET**

Dried Mushrooms (5 varieties) Six Feet			
16 ounce White Five Facings		14 ounce Stuffers Three Facings	
Baby Bella Whole Four Facings	Oyster Two Facings	Shiitake Two Facings	Baby Bella Sliced Four Facings
6 ounce Portabella Caps Four Facings		Enoki Two Facings	6 ounce Portabella Sliced Four Facings
8 ounce White Sliced Six Feet			
Bulk White Two Feet	Bulk Shiitake One Foot		Bulk Portabellas Three Feet
8 ounce White Whole Six Feet			

**LOW INCOME SET:  
MULTI-DECK,  
SIX-FOOT SET**

Dried Mushrooms (5 varieties) Four Feet			
16 ounce White Four Facings		14 ounce Stuffers Two Facings	
Baby Bella Whole Two Facings	Shiitake One Facing	Baby Bella Sliced Three Facings	
6 ounce Portabella Caps Three Facings		6 ounce Portabella Sliced Three Facings	
8 ounce White Sliced Four Feet			
Bulk White Two Feet		Bulk Portabellas Two Feet	
8 ounce White Whole Four Feet			

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