A *60-YEAR* RETROSPECTIVE BY **DAVE DIVER**, FORMER VICE PRESIDENT OF PRODUCE FOR HANNAFORD BROTHERS

Upon beginning my retail produce career in 1958, the transitions of retail outlets to larger sized supermarkets was only partially completed. Some chains had raced ahead of the pack while others were at a crawl. The great A&P, once the largest of all chains, was among the slowest to adapt and gradually headed for its long-term demise.

Kroger's Toledo, OH division, where I was first stationed, was a typical example of retail store development. The division's weekly sales per store of around $35,000 was second or third among the company's 30 or so divisions. The largest store, recently opened, had an average volume of over $100,000 per week. Five others were in the $55,000 to $75,000 range with the remaining 28 stores having sales ranging upwards from a low of $15,000 weekly. Physical size likewise ranged upwards of 10,000- to 60,000-square-feet with the produce department sales area, especially in smaller stores, often occupying little more than five percent of the space.

Often these smaller departments, usually located near the end of the traffic flow, were rarely larger than two 20-24 foot rows of partly refrigerated facing cases supplemented with limited shelving for potatoes and onions. Rarely did these stores offer the consumer more than five dozen SKU's of fresh produce receiving only two to three deliveries each week. With ordering that was done at least three days in advance of delivery, is it any wonder the neighborhood grocery store was on its way to extinction as shopping centers were sprouting up with increasing frequency?

This was the time of not only shifting shopping patterns, but also the beginning of a gradual decline of family size and the increase of wives leaving the home for part and full time work. Eventually these changes would also exert pressure on marketing and in-store presentation.

For example, in 1958 the smallest bag of potatoes available in most stores was 10 pounds, with advertising emphasis placed on 25- and 50-pound units except during a few summer months. Promotions for grower/shipper-packaged onions, apples, and citrus also followed the theme "bigger is better." No one was looking at the number of units sold in relation to total customers or the effect on future week's sales for the respective item. Values for the increasing number of smaller household units were being overlooked.


Dave Diver

As stores grew larger, so did the produce department's overall size with space added for promotional tables. This was the time-spending, numerous-hours-building, eye-catching displays to attract produce customers and, in many instances, the opportunity for produce clerks to win display contest prizes. Big was better, but it also promoted over-ordering, which in some cases led to unnecessary shrink and consumers not receiving the freshest product.

By now, in-store tray overwrapping became a major portion of the daily activity, especially in eastern and central areas of the U.S. In other regions, produce continued to be displayed in bulk, but only supplemented by shipper-packaged merchandise. However, some companies did develop successful central packaging operations to supply stores.

Enhanced by the continual management pressure to control labor costs, department managers were quick to recognize it was much faster to package 10 units of 3 pounds each than 20 units ranging between 1 and 2 pounds. Not only was it faster, but again few larger package sales increased comparative sales volume. As customer dissatisfaction increased, emphasis was placed on having a variety of random-sized units available for sale.

Corporately, "fresh produce" became a major advertising theme. However, the ads were the "stick" to challenge store produce managers to improve conditions instead of focusing on operational programs to achieve an objective consumers should take for granted. Promoting a product's attributes would have been more valuable.

GETTING SUPPLIED

Procurement of product took many avenues. Larger organizations, seeing better efficiencies from purchasing from terminal markets, and countless shippers contacting individual division produce buyers, set about to organize their own centralized buying operations, attempting to control quality, promotions, and cost. Field buyers in major producing areas provided better information about all aspects of the supply equation.

But old habits die hard. Division buyers were difficult to wean from the mother's milk of all-too-willing shipper sales agents not giving up the possibility for additional sales, and terminal market purveyors seemed to always offer competing opportunities, making the transition to central procurement much slower than corporate executives had envisioned.

Of course, nearly every area of the country has some locally grown fresh produce supply. The northwest Ohio and southeast Michigan regions were no exception, providing wonderful opportunities to enhance fresh produce retailing. Varying varieties of fresh vegetables were available for at least six months, summer fruit and melons, and apples throughout the colder months. Additionally there was a grower coop for greenhouse tomato supplies during about eight months of the year. Their flavor was in sharp contrast to the tomatoes packaged primarily in clear wrap plastic tubes.

Nearing the end of the 1950s, conventional rail car transportation was a mainstay for produce delivered to the Midwest, East Coast and South from the primary western production areas. Most shipments of potatoes from Maine and bananas from Gulf Coast ports were also by rail. Just imagine the anxiety of receiving a rail shipment of strawberries picked at least five days earlier! The use of piggy-back trailers on flat cars with somewhat greater flexibility and faster arrivals did not become a viable option until the decade of the 1960s.

This was the era prior to the interstate road system being more than just here-and-there fragments. Truck transportation was still relatively slow and somewhat unreliable for long distance shipping. Consequently many growers relied on marketing no more than a day's travel distance. With several large nearby growers of items ranging from sweet corn to eggplant, unexpected excess supply could often present unheard of spur-of-the-moment opportunities by having the willingness to quickly react to low cost and sell volume at low markup. When was the last time consumers were able to purchase beautiful large eggplant for 11 cents each, turning a normally slow selling item into a several-truckload success?

SUPERMARKETS COME OF AGE

By the mid-1960s, the supermarket industry had primarily eliminated most of the older small stores so the supermarket designation was universal except for some independents operating in small towns or densely populated inner city areas. Produce departments were expanding and sales analysis was proving sales were markedly better in departments located at the beginning of the traffic flow instead of at the end. Increases in variety and volume were slow but steady. Some of the biggest product improvements came from post-harvest handling, improved varieties, and a faster transportation system with the interstate highway system.

Produce sales percentage was dramatically higher in Kroger's northern divisions than those in the south, leading top management to conclude the difference due to a largely in-store packaged product presentation compared to primarily bulk displays in the south. Since more Yankees had started moving south, cultural and culinary differences were ignored. One size would fit all, but not necessarily with the anticipated gains or without noticeable consumer resistance.

By the decade of the '70s, Kroger found it difficult to achieve profit objectives primarily due to severely reduced dry grocery margins. The consequence was stringent cost controls and a greater dependence on produce operations to increase margins providing little opportunity to pursue innovative programs. Adherence to other-than-centralized procurement was not an option.

Under these conditions, I joined the relatively small Hannaford Bros. Company, which listed on the New York Stock Exchange and proved to be an exciting opportunity. Not only was there freedom to follow, develop, and institute new procurement and merchandising programs, but also be involved in the overall produce and supermarket industry.

My first PMA convention was in 1975 in Kansas City with about 1,000 attending. Meeting several Kroger produce merchandisers who previously left the company provided an excellent opportunity to become actively involved. By the Boston convention in 1981, the organization was ecstatic when there were more than 4,000 participants. Back then, today's size would have been unimaginable.

Working for a smaller company at the end of the supply chain, the benefit of PMA included the opportunity to quickly have personal contact not only with growers and shippers but also commodity board representatives, previously often reluctant to spend extra time going the additional distance to contact smaller but progressive, rapidly growing retail organizations.

Produce quickly climbed to the top of why customers chose a particular store compared to another when several were equally accessible. Quality first; price second.

Less than a year after arriving in Maine, a major competitor changed to bulk produce, displaying products that were previously packaged. Almost immediately several in the department were on a plane bound for Ralph's in Los Angeles, which had the reputation for being among the best bulk produce operations in the United States.

Relatively quickly we converted, with the knowledge that an increase in spoilage would be overcome by reduced supply cost, less time spent in the back room, quicker setup time, and more floor time to spend with customers. These were advantages a company had with an encouraging, outside board of directors who among them were successful achievers in nearly every business field. Finding suggestions for improvement was always available.

PRODUCE COMES OF AGE

From the mid-1970s, the next decade would witness a fivefold increase in our corporate sales as store size and numbers grew. Fresh fruit and vegetable sales and profits rose even faster, the result of more improved varieties, more imports, better product handling methods throughout the supply chain increasing shelf life, changing in-store display presentation, and new marketing programs. All lead to corporate management's increased focus on the importance of produce to the consumer and to the corporate bottom line.

One of the most notable changes during the decade was the decline in use of display material. In a world where labor costs are always the largest variable, attention was being paid to building and decorating a huge display with less expense and more attention to providing attractive presentations with lower amounts of product for faster turnover by the using display case and table innovations.

All were important contributors to the image consumers had of the produce department. Produce quickly climbed to the top of why customers chose a particular store compared to another when several were equally accessible. Quality first; price second.

Among the most important advancements came one from our friends in the grocery department. With margins so thin, thousands of hours were spent on determining optimal shelf allocations, followed by developing formulas for direct product profitability, and net department contribution to overall corporate results. Borrowing on those concepts, it was relatively easy to adapt the peculiarities of handling fresh produce into parallel measurements. Bottom line, produce department contribution to total net was greater than each of the other departments and higher than previously thought.

The data for individual items made it much easier to determine a satisfactory promotional mix as well as balancing workloads at store level. More attention was paid to the significance of price changes related to cost and product tonnage and the resulting dollar profit contribution. It also became easier to develop a sales, cost, and profit curve relating to seasonal volume changes.

With all of the merchandising and operational changes, perhaps the best part of my six decades in retail was knowing a number of growers and shippers who today have equally capable family members following in their footsteps and continue to expand their high quality business enterprises.

Those entering the business world today are smarter, more capable and better prepared to meet current job descriptions. Although consumers purchasing decisions are affected by the flavor/texture conundrum, they nevertheless believe today's produce departments are better operated and presented than in the mid-decades of the previous century. **pb**