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**FRIEDA
SPEAKS OUT:
The State of the Trade**



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Q & A

QUESTIONS FOR FRIEDA CAPLAN

Interview by David Drum

Frieda Caplan is perhaps the best-known woman in the produce industry. Since she founded Frieda's Finest/Produce Specialties, Inc. in Los Angeles 25 years ago, and painted her dock in the 7th Street Produce Market bright purple, Caplan has maintained a high-profile, high-energy presence that has led the way for a greater acceptance of a wide variety of specialty produce items.

Her family-operated company, which recently moved into larger, more modern headquarters, grosses an estimated \$13 million a year and offers retailers a choice of about 250 specialty produce items.

Among her many honors to date, Working Woman magazine gave her the Harriet Alger Award last year, calling her "The Visionary of Vegetables." Able both to see developing trends and to capitalize on them, Caplan's marketing savvy is obvious enough when one considers that she began her business on a shoestring, but now has her own Frieda of California brand in virtually every major retail supermarket in the United States.

PB: If you had your own retail produce department, how would you do it?

CAPLAN: First of all, I wouldn't do anything unless I had top-notch personnel. I would say that's more important even than location. I have seen this happen. Irvine Ranch Market, when they first started, had a totally out-of-the-way place off the San Diego Freeway out there in Irvine. Plowboys is a very out-of-the-way place. But people come from 30 miles around.

PB: So good personnel would come first?

CAPLAN: Yes. I would also run 24 hours. I would run seven days a week. After getting top management, I would get top produce personnel. I'd find myself the very top buyers. Then, I would look for a site. I don't think that location would be that important.

PB: You'd expect real commitment from your people.

CAPLAN: Sure, we would need a serious commitment from the people involved. But we would also commit to adequate displays and an adequate back room. I wouldn't think of having a display of apples and pears that wasn't on a refrigerated rack. It's my despair that I go into some of the best markets in Southern California and they're on the dry rack. After all the time they've spent in cold storage up in Washington and in controlled atmosphere storage, I look at this and it just makes me sick. Retailers are spending big bucks on those apples, and they are taking a product and losing it right in their own produce department because they haven't thought through what it takes to set up a produce department properly.

PB: How would you set up your retail produce operation?

CAPLAN: I think it's begun to happen in the last three or four years. When they planned stores before, nobody ever called up the produce department and asked them, "What do you want?" They're just beginning to. They're just beginning to find out how to increase the profit of their most profitable department.

PB: So you'd listen to your employees first.

CAPLAN: When I get all of those things together, I'm going to get the widest possible variety of very beautifully cared-for fruits and vegetables, but just having the widest possible variety is not enough. You have to have all your ducks in place. And I would have to have the traffic that would turn the merchandise. And then of course our marketing expertise would come into play. We'd make damn sure we got the kind of promotional activities that would make it a showcase. I'd want it to be a tourist attraction. It would be that good.

PB: You've thought this out before.

CAPLAN: I have to tell you that we've been approached on these things so many times, that Frieda's Finest has chosen not to take advantage of all the offers because we have learned that you can't do that many things well. There are a lot of produce houses that have opened markets. They want a place to dump the stuff they can't sell, which is a very bad approach. Many years ago, we had an offer for something called Frieda's Farm, I think very much like Irvine Ranch has now evolved into, and we wouldn't have had to put up any of the money, but they would want our time and exper-

tise. We had to turn it down, like we turned down having a brokerage division. A lot of people say, "Why don't you have a brokerage division?" I don't want to go into competition with my customers. That's the same reason we turned down going into business for ourselves on the retail end. I think it's a mistake trying to be everything to everybody. You just can't.

PB: What's your greatest strength?

CAPLAN: We want to do what we do best. I think sourcing and developing new products is where we shine.

PB: What is the ultimate potential for specialty produce? How many potential new exotic items are out there?

CAPLAN: The facts that I give out are really a quote from Dr. Noel Vietmeyer from the National Academy of Sciences, who is writing an article for a horticultural magazine. He has pointed out that there are about 500,000 plants in the world and there are anywhere from 20,000 to 80,000 that are considered edibles. Right now, we're actively utilizing maybe only 150 of these and only fully utilizing about 20 of these. So the potential is incredible. We just found something called a peach tomato that looks exactly like a tamarillo on the outside except it's several colors of green and a beautiful peach flavor inside, quite the opposite of what a tamarillo is. And we're so excited because here is something that has excellent shelf life, and we're looking to see if it's something we can grow here, or for here. It's grown in South America right now.

PB: Any hot new items you've recently introduced?

CAPLAN: In September, we came out with the introduction of the purple potato, and the new coral mushroom we've introduced is really taking off.

PB: Where will new specialty items come from?

CAPLAN: In addition to all the things I've talked about, that doesn't take into consideration the plant geneticists that are developing and cloning the best of everything we're coming up with. I just think it's limitless. Long after I'm out of the picture and my daughters, Karen and Jackie, have taken over, and long after they're out of the picture, they're (geneticists) still going to be introducing new things. I can see there will be different types of markets developing that will be basically all produce.

PB: And beyond that?

CAPLAN: We're finding certain kinds of produce items that are very rich in the kind of balancing we need for protein. You're going to find more and more of these items that will provide what people who are basically vegetarians find necessary to survive. I think we're beginning to find that more and more of the people who are on a basically fruit and vegetable type diet are healthier in all respects. If you concentrate on a fresh fruit and vegetable diet, it's impossible to be fat.

PB: As an industry, where are our weaknesses?

CAPLAN: I'm very concerned about the health of the produce industry. I'm very concerned that people who are in the wholesaling end of the produce business often don't understand what it costs to operate. I'm very concerned about the rash of bankruptcies here in Southern California. A few years ago a large premier house, Crown Produce, went bankrupt. A few months ago, Southland-Keystone, I think the largest produce operation certainly in Los Angeles, stopped operating. And there are other firms about whom financial questions are being raised, and I'm looking at these people. It worries me, and I think it should be of concern to the industry. People

have always said, "Frieda, you're so high-priced on this, and that." And really, we never have been high-priced, we've just been realistic about what it costs us to operate.

PB: In the specialty business, what does it cost to operate?

CAPLAN: From our end, you need to make pretty close to \$2 a package to operate. The retailers understand this, the wholesalers don't. These people who think they can operate for 25-50 cents a package, and are still doing it, are the ones who are going to go out of business. And some of those houses pay phenomenal salaries to their salesmen, way out of proportion, \$100,000-\$200,000 a year. That's why they're going bankrupt, and that's what concerns me.

PB: You're worried about the wholesalers?

CAPLAN: The wholesale industry is very important. It's important to the farmers because the farmers really need the wholesalers in order to maintain markets for them. When farmers go directly to retailers, they generally break their market.

PB: Why is that?

CAPLAN: Once they get in the clutches of a retailer, and don't misunderstand me, a retail buyer's job is to get the item as cheap as he can. That's his function. When a farmer goes directly to a retailer, he really is at his bottom price. So if he wants to go to a wholesaler at the same time, he has to go even cheaper because the wholesaler has to sell to the retailer's competition. They all have to be able to sell at the same price. My concern is about this very important segment of our industry, because the wholesaler basically makes the farmers money. He keeps the market available for the farmers to sell in to. He finds them a lot of customers. He maintains them all at an equitable price. He can talk to the farmer and say, "What do you really need to survive?" and go after that price. The retailer doesn't ask a farmer what he needs. He just says, "Hey, this is all I can pay you for it." So the wholesaler is more sophisticated.

PB: Yes.

CAPLAN: This tremendous catastrophe economically these last several months scares the devil out of me. A lot of people say it's because the new produce market was established. I don't think that's it at all. Most of the houses that have gone bankrupt weren't a part of the new market.

PB: What is the major issue here?

CAPLAN: My concern is you can't operate at 25 and 50 cents, even at high volume. Some people seem to think that high volume takes care of it. High volume at 25 or 50 cents is just putting you in the hole deeper. The higher the volume, the deeper the hole. I think people have to analyze what does it really cost, and with computers you can tell what it costs. It's different if you're selling FOB and you're not handling it physically, but once you put it on a truck or physically take it in, you inventory it, you redeliver it, you've got unbelievable costs. Every time you touch a package, it costs you so much, and people are not thinking about it and that's why they're going out of business. That is the thing that's my greatest concern, because it hurts all of us when a house goes out. There's a sort of domino effect. It affects farmers; it affects everybody. I really think it's time people thought about what it costs to operate.

PB: In your opinion, what could save the wholesalers?

CAPLAN: I just think people have to be reasonable about what it costs to operate, and recognize what they have to charge. If all the prices are equitable, the retailer really doesn't mind. He just doesn't want to hear that Frieda is \$10.50 on spaghetti squash, and they can

buy the same item on the market at \$7. The guy at \$7 was selling to make 20 cents, and I had taken the package and labeled it and packaged it. Now how long that guy's going to be in business I don't know. He shouldn't have been under \$9, because I know what it costs him to operate. He doesn't know what it costs him to operate. I see this all the time.

PB: But isn't price the name of the game, even in specialty items?

CAPLAN: There's a time in produce that you have to make a decision on shelf life. There are times when you have to sell at a loss. We do it, when the market totally drops and you're out of line. There's enough of that, you shouldn't do it on everything you're doing. You're dealing with perishables, so many times you've got to go regardless. You have to have some kind of reserve to work with and you see a lot of big important houses, a lot of shaky houses, and I don't know how it is in the rest of the country, but it's certainly true here. And it's scary, David. It's scary.

PB: What's the major trend in the produce industry today?

CAPLAN: The basic moving force is the increased consumption of a wide variety of fresh fruits and vegetables. I see it accelerating. I think one of the reasons for the acceptance of the wide variety is, finally, the recognition on the part of not only management, but the people who do the buying, that there are really people out there that are willing to put out the money for unusual fruits and vegetables.

PB: You mean in the past that there have been buyers who didn't believe that the public would go for an item like, say, kiwifruit?

CAPLAN: You hit on the item that's really been the eye-opener. One of the recent reports, the FMI and PMA joint survey, pointed out that in the perception of the produce managers, kiwi and broccoli were the two hottest items in the produce department today. I think that after all these years this recognition that a weird specialty can become a high-volume item has helped open the door for everything else.

PB: How do you read the specialty produce marketing climate?

CAPLAN: We are finding that we are having a wider acceptance, an easier acceptance on our part, in some of the less conventional areas like Iowa, Indiana, Illinois, Wisconsin, Michigan, Tennessee, than we are in some of the major metropolitan areas. There are still a lot of holdouts in the Southern California area and in the New York area. They are still so convinced that the conventional bulk items are still the major motivator that they haven't put in a lot of the unusual items yet. I would say there is a full 20-30 percent of large chains that still don't have a full program going.

PB: Would you care to name those chains?

CAPLAN: No.

PB: Who's got a good program?

CAPLAN: Well, let's go right down the middle, let's go to Dominick's in Chicago, which I think is under the leadership of their head buyer, Mike Klackel. I wouldn't doubt that the kind of buying perception that Mike has had over these years, developing a very full-fledged specialty program, may not have been responsible for his recent advancement. Because of what he's done, taking nothing away from Jewel's, which is a fine organization, Dominick's has made a real exciting effort to attract the consumer. Every single week there is a major featured specialty ad item. You find the same thing here with Von's in Los Angeles, and they just don't run it, they really feature it. They generally put in recipes, they do things in the stores, and they really realize the draw of the specialty item. All these

chains have become tops in their market.

PB: But aren't specialty items generally priced much higher than the staple items?

CAPLAN: It really depends on what the item is. You really can't say that in a blank way; it depends on the time of the year, the season, the volume; it's really a supply and demand thing. As a matter of fact, contrary to the conventional items, many retailers (I know this again with Von's and Dominick's) often price them without the ordinary markup. Dominick's is the only chain I know that has done a spectacular promotion on exotic mushrooms on two different ads several months ago. And I know for a fact that they didn't take a conventional markup, so they may be handling items that are more unusual and limited and maybe higher-priced but they did not take the ordinary price markup at all because they wanted to see the movement.

PB: For example?

CAPLAN: I don't think there's a major retailer in the country now that doesn't feature kiwifruit as an example. We realize we've only touched 5 percent of the population with kiwifruit, so you can imagine what distance we have to go. Growers are worrying about the expanding production of kiwifruit here and the rest of the world. I'm telling California growers, "Just do a good job of merchandising right in the United States and you'll move your entire crop."

PB: You seem to think the sky's the limit.

CAPLAN: All of this has really opened the perspective of these guys, these hangers-on, these guys that really haven't put the program in, so I see this as no longer a fad, but a world trend. You're going to see more things like jicama as a major item, and plantains as a major item, you see now varieties of all sorts of chili peppers, all sorts of colored bells — now taking major shares of the space. What makes all of this go together is that markets all over the world are expanding space.

PB: This has been a recent phenomenon, correct?

CAPLAN: Some of them in the past who had good produce personnel, who had people interested, couldn't do anything about it physically. They barely had room for the cauliflower and the lettuce and potatoes, the conventional items; now they do have the space. So I think all this together has really made this into a situation that's going to continue to expand. I don't think it's a fluke.

PB: Aren't there some drawbacks to all this success?

CAPLAN: I think you are going to have some conflicts of perception, and it is confusing to people now because of all the questions raised about pesticides and about foreign imports.

PB: Some people say imports are not regulated as strictly as domestic crops.

CAPLAN: Someplace along the line, people are under the impression that the United States lets anything into the country, which is not true. The imports are subject to much greater survey than locally grown items, and they're really very careful. The guys that are in business, the guys in Nogales and Baja, they're into making bucks. They're not going to jeopardize their reputation and their business just to get a load of something through.

PB: Do you see a great public concern over the use of pesticides on produce, or chemical residues?

CAPLAN: I see an awful lot in the press. I don't know how far it's penetrated beyond an already-concerned group that's been there for

many years. I think all of us realize that we have a responsibility to produce as clean a food as possible. I think we shouldn't fight this final recognition that we're living in a polluted society.

PB: What can we do?

CAPLAN: I think we have to do everything we can. I find that most of the young farmers I'm dealing with are very concerned, and they're looking for ways of growing produce as clean as possible. They're looking for herbicides, pesticides, things that they need, that evaporate rapidly, that do not carry forward into residue in the market. They're very concerned. There is a tremendous interest in the alert farmer, and in a program like the Nutra Clean people have.

PB: Is anyone using it?

CAPLAN: Irvine Ranch Market started here in Southern California a few months ago featuring one item a week with a Nutra Clean label. I know that profit-wise, it's probably a very good marketing move. They had carrots on the Nutra Clean program one week. I'm sure they didn't have to worry about what Lucky and Safeway and Von's were selling carrots for, because carrots under the Nutra Clean program will sell to concerned consumers who are not as price sensitive. It's very smart on Irvine Ranch's part. The average consumer's going to think, "Well, if they've got this Nutra Clean product, maybe they've got others." And I'm sure it'll increase their produce sales.

PB: Are these kinds of nutritional and cleanliness programs here to stay, in your opinion?

CAPLAN: I don't think this is a flash in the pan. There's a developing concern that the produce industry should recognize. We have to do a lot of education. We have to inform produce personnel, particularly people in the produce department that have to answer to the consumers, just what the answers are. The very fact that most of the stuff has evaporated long before it reaches the consumer. They have to be able to know this with authority. We need to provide fact sheets to answer the great majority of the questions that an alert consumer asks. If you don't do this, you are going to have some slowing down.

PB: You see a need for greater education among all produce personnel?

CAPLAN: I think that just like in the beginning when we talked about increased use of fresh fruits and vegetables because of diet, it started in a very low key back in 1978 and now it's going to groundswell. We have to have answers. We can handle most of that.

PB: As an industry, what can we do?

CAPLAN: We can allay the fears of the people that their fruits and vegetables are covered with pesticides. I don't think they really are, and I think there's a very innovative agricultural society, and every farmer has a family that he needs to feed, and he's concerned about what they eat and he's not going out to poison food. And I think those things have to be said, and said in very simple ways, backed up with facts.

PB: As the founder of a major specialty produce brand, do you see a trend toward more branding of produce items?

CAPLAN: A while back we were delighted by an article that appeared in the Philadelphia Inquirer and it said, "Major companies like Campbell's Soups and Frieda's Finest," and we were delighted. What the article was talking about was exotic mushrooms, and it gave us a big charge to be put in the same category. Of course, we were there first; Campbell's followed. But yes, I think there's got to be a recognition that when you put your label on things that you've got to be able to back it up right up to the consumer. A lot of people

aren't really prepared to do that.

PB: What do you mean by backing up your products?

CAPLAN: One of the things that our company does essentially is deal with farmers that are willing to back us up right to the individual consumer. This has been a great part of our success. There's no question that we have a "larger than life" image among people. We are not half the size company that people think we are. We do get a lot of recognition because we are a branded produce company. We've fended off a lot of invitations to marriage by a lot of major corporations because we have no desire to be bought out, not that five or 10 years down the road we might not change our mind.

PB: What kind of marriage invitations did you get?

CAPLAN: Every one of these major companies that approached us told us the reason they are interested is that we are already an established brand, already basically in every major supermarket in the United States. I always caution people to say, David, that although we have 250 items, you'll generally only find one or two or three in many of the supermarkets we serve. There are some that have 30-40 but very few that have all the items.

PB: Are there some mistakes to be avoided in branding produce?

CAPLAN: I think the mistake people make is thinking that just putting the brand on will sell it. It won't unless you put a really high-quality product and then take the steps to make sure that it arrives where it has to arrive, and be careful not to package things that have no chance. We've made mistakes 10-15 years ago that a lot of people are going to be making now. We don't mean to sound like we know it all, but we know there are certain things that you just can't brand; they don't have the potential or the shelf life. It's not that simple. You really have to have a program to market your brand, and you have to have consumer confidence. Why do we back everything up? Why do we do testing in the kitchen? We've been testing for six weeks, all the squash is coming in, and we keep rejecting and rejecting and rejecting. They look beautiful on the outside, but they don't eat well yet.

PB: What kind of tests do you do?

CAPLAN: We do sensory testing on everything that comes in. That's tasting, feeling the produce — nothing scientific, such as calorie-counting and all that. Why do we do something like this on squash? We've learned that if a consumer picks up something with a Frieda label and they don't have satisfaction, there's 250 other items they're not going to buy. So it's not just that squash, or those shallots or that kiwi, or the peppers or the kiwano.

PB: How do you handle complaints?

CAPLAN: We get letters occasionally like, "Frieda, we've been using your products for years and all of a sudden I've come across your egg roll and it's got some mold on it now, and I wonder why. Now I won't stop buying from you because I know it's probably not your fault, it's probably the retailer's fault, he hasn't rotated it, but we want you to know about it." What we do is, even though it's not our fault, we issue a full retail refund plus the postage.

PB: Apparently this pays off in the long run.

CAPLAN: I tell you this because you're asking about the role of branded produce. I know for a fact that for years, a lot of apple shippers were putting their second-grade apples into five-pound bags, or Coachella Valley used to put their second-grade grapefruit into bags with their names on it. People would buy it and have one or two bad ones. Well, that's what you've got to be careful of. You really can't

label your second grade. It comes back on the brand. Just having branded produce isn't enough. You've got to have a marketing program to go with it.

PB: What changes do you see in produce departments these days?

CAPLAN: I'm so spoiled by being Southern California born, bred and raised in the produce department. But I was totally blown out of the water when I visited King's Supermarket back in New Jersey, when I went back there in February. I found out this was as fine or finer than any produce department I'd ever seen in California. They had outstanding varieties, exciting displays, they did something that I don't see people doing here — they had little plastic tubs for sampling melons on that particular day, in which they encouraged people just to go up and take the samples. They didn't bother about demonstrators. They didn't feel that was necessary. And I think they developed a loyalty. And they didn't have deep displays, but they had good displays, which leads me to believe they do a very good rotation in their stores. They don't pile, they make sure that the very best is always there.

PB: King's must have impressed you.

CAPLAN: They had something that a lot of markets here are missing, and that's a lot of personnel. About the only ones you see in Southern California with a lot of personnel are something like Gelson's, or an independent like Plowboys, that really has people working the department all the time. Now I don't know if what I saw at King's is typical of back East. I rather doubt it. But I would imagine their 15 stores outsell a lot of stores that have maybe 10 times as many stores. And this is what it's going to take to be a winner. I've had people tell me that King's is the top chain in the United States insofar as volume, presentation, loyalty, and things of the sort. I can see why. By the way, what I said about the produce department is also true about the rest of the store. They had that same innovation.

PB: Yes.

CAPLAN: Also, I haven't been in the new Von's Tiangas yet, but they make shopping an experience, when people go just to go shopping in their stores. And I think that's going to be the key to competitive edge nowadays, making your store actually fun to shop. Not just the produce department, but the whole store.

PB: Is something happening in the typical American kitchen?

CAPLAN: What's happening in the American kitchen is also happening right here in our offices. The American kitchen, particularly for the younger groups, the singles, is really beginning to disappear. The big range as we know it is disappearing and very rapidly the microwave is beginning to become the tool for cooking. You're already seeing small apartments that don't have a stove and dishwasher, and all they have is a microwave.

PB: So the microwave is changing not only the kitchen, but also the way people eat?

CAPLAN: Most of your producers have been coming up with items,

and we're even coming up with them in the produce department, microwaveable little packages that all you have to do is stick your fresh vegetables in the microwave oven. Most producers of frozen foods now are producing everything in microwaveable form, and making everything so fast and quick that we've more and more eliminated the need for the kitchen as we now know it. Now that doesn't mean that there aren't going to be people who love to cook, but most career people just don't have time, and this way they can get good food and even fresh vegetables being worked into the program beautifully.

PB: How does produce fit into this trend?

CAPLAN: Proctor & Gamble has come up with a special paper towel called Bounty, and a lot of people don't realize it, but it's perfect for microwaving vegetables, or anything you want to microwave. All you have to do is dampen it and put it around your broccoli and put it in and steam your broccoli for three or four minutes and it comes out ready to eat. You don't have any dishes to wash, and you just toss the piece of paper away. As people begin to realize this, it's going to speed on the demise of the kitchen as we know it.

PB: So the kitchen is disappearing?

CAPLAN: It sounds pretty funny, but when you think it through, there's probably very few of your readers who don't have microwave ovens right now. And there are probably homes with more than one. I know we've got three here at our facilities. I think like having multiple TVs and radio, you're going to have multiple microwave ovens. They're certainly inexpensive enough, and you're going to see more and more of them.

PB: Do you see a continued expansion of produce departments?

CAPLAN: I think you're going to see larger and larger produce departments. And that's going to continue for some time. Because one thing we didn't mention was that unless there's a radical change, the produce department's still the most profitable department in the supermarket. Retailers will weigh this aspect.

PB: But not all produce departments are high-profit in all stores.

CAPLAN: It's only profitable if you do all the good things — you can't have a large department and have a sloppy department, or that garbage can is going to be your biggest customer. They must seriously think it through, and give the kind of personnel, and the kind of labor scheduling, of which again the ideal is Gelson's. Gelson's spends the time, and has the personnel, and they are expanding the size of the produce department. They (Gelson's) recognize one thing: You can't have variety, you can't have size without an adequate back room. You can't expand without a back room that has proper holding facilities. You can't have it all refrigerated or all dry. You really have to have a place to wash, a place to prepare, and without these things, you blow everything. So you can't do one without the other. You can't cut back on labor and expand the produce department. You just have to realize that people are a cost of operation — and an