How Good Is Your Produce Department - Really?

Here's how you can tell...

by Brian Woolf (March 23, 2015)

The Fruit & Vegetables area of a supermarket is considered by customers and retailers alike to be a key factor in choosing one's preferred place to shop. Elements subconsciously considered include selection, freshness, quality, cleanliness, presentation and pricing. So how can you learn what your regular customers really think of your Produce Department? Here's a simple but effective method for any retailer with a customer card.

The Best Customer HHPR Report

	Best Customer (BC) HHPR		Q2-TY	Store # 001	Store BCs in PQ >		1,000
1							
2	**Produce**		week 1	week 2	week 3	week 4	wks 5-13
3	PQ BCs Shopping in Store at least 1x		900	950	800	850	xx
4	PQ BC in Store QTD (avg per wk)		900	925	883	875	xx
5	PQ BC in Store QTD B(W)%	R4 ÷ PQ	90.0%	92.5%	88.3%	87.5%	xx
6	PQ BCs Shopping in Dept at least 1x		700	750	720	750	xx
7	PQ BCs Shopping in Dept QTD (apw)		700	725	723	730	xx
8	BC HHPR in Dept each Week	R6 ÷ R3	77.8%	78.9%	90.0%	88.2%	xx
9	BC HHPR in Dept QTD	R7 ÷ R4	77.8%	78.4%	81.9%	83.4%	xx
10	BC HHPR in Dept for full Qtr LY						81.6%

The above table is the Best Customer Household Penetration (BC HHPR) Report. Using simplified numbers to make it easy to follow, the report tells us that Store #1 had 1,000 Best Customers in the Previous Quarter (row 1) and that in the first week of the second quarter, 900 of them returned and shopped at least once (row 3). Of those 900, there were 700 (row 6) who bought at least one Produce item in that week. In other words, 77.8% (row 8) of all Best Customers (from the previous quarter) who visited the store in the first week of the current quarter shopped in the Produce Department at least once. The other rows show the quarter-to-date (QTD) results, using similar calculations.

Why Is This Important?
It's important for two reasons:

1. In most households fresh fruit or vegetables are eaten each week—and, being fresh, it is purchased each week;
2. Our regular higher-spending "Best Customers" give us a large share of their weekly food budget—therefore, they are highly likely to be Produce shoppers and shop in the department at least once during those weeks they visit the store.

Therefore, by measuring the Produce-buying behavior of our regular high-spenders we can see how our Best Customers perceive our fresh fruit and vegetables. They are, by definition, spending a lot in our stores so the question we need answered is: how many of them regularly buy their Produce from us? (If not, why not? Is our quality poor or are we poor merchants?)

The term "Best Customers" needs explaining at this point. In food retailing, DROP'N is a common customer segmentation acronym. Based on, say, a 13-week quarter, Diamonds are those who spend who spend over US\$1,300 (an average of \$100 week); Rubies \$650-1300 (\$50-100 per week); Opals \$325-650 (\$25-50 per week); and Pearls under \$325 (under \$25 week); New customers (those who shopped for the first time in the quarter) are aggregated into a separate segment because of the disparity in the spread of weeks they shop. The segmentation is based purely on spending. We have found, however, that average shopping frequency increases with customers' average weekly spend. Best Customers, defined as those who spend over \$50 week on average (ie, Diamonds and Rubies), average over two visits a week. For this reason there should always be a high percentage of the previous quarter's Best Customers shopping each week, providing us with a solid base to measure the HHPR. To register on the HHPR metric, a Best Customer needs to make one Produce purchase just once during the week (regardless of how many store visits the customer makes). This report also highlights what percentage of our Best Customers shopped yet didn't buy even one Produce item. For example, in the above report, in week 3 the BC HHPR was 90.0%, which also meant that 10% of the Best Customers shopping that week did not buy a single Produce item, not even a banana (the biggest selling item in the store of nearly every food retailer)!

Turning BC HHPR Into Reality
To improve your company's Produce BC HHPR, I invite you draw inspiration from the same source where, two decades ago, I was introduced to the concept— the Irish food retailer, Superquinn.

Feargal Quinn, the founder and CEO of this legendary firm, believed that practically every one of his Best Customers' households ate at least one Produce item each week. Yet he discovered that Super¬quinn's Best Customer Produce Penetration Rates weren't reflecting that. So he initiated a special competition for the Pro¬duce Departments, with all winning departments' members—those with the great¬est increase in their penetration rates over the previous year—enjoying a week's trip to the US. After a preliminary test period, to allow participants become familiar with how the program and measurements would work, the contest lasted for a quarter—with impressive gains in Produce HHPRs in every store.

What Superquinn found was that, when given the right weekly measurement (and, thus, motivational) tools, departmental teams become even better merchants. During the contest, managers discovered new ways to challenge their teams to create ways of enticing Best Customers (and, therefore, all customers) to shop in their departments.

There was no end to the creativity. Teams used more sampling, product signage, nutritional signage, and cross merchandising; they introduced displays in more key traffic areas; new item promotions increased and more postcards, both informational and promotional, were mailed to customers. The HHPR focus pushed the store teams beyond the usual "just stocking and selling the product" mental¬ity; it pushed them into the shoes and mindset of the customer—the position of a true merchant or marketer.

Not only did the company increase—and later maintain—its Best Customer Produce Department's HHPR, it also in¬creased its sales to store customers spending less than the Best Customer threshold, thereby strengthening their allegiance to the department and company and their likelihood of upward spending mobility.

It was an extremely creative, educational, yet fun approach to taking Produce sales and merchandising standards to a higher level.

Closing Thoughts
Putting the right measurements in front of your opera¬tional and marketing teams always leads to better results. What is described above for Produce can also be done for Meat, Fish, Bakery, or for any of your signature items.

The lessons learned carry over to subsequent quarters so that the measurement need not be made every quarter. To measure progress over time, a Department's BC HHPR can be done but one quarter a year. Not only is valuable customer knowledge gained but also key insights into how your customers' perception of a vital store area is changing. And, at the same time, the whole departmental team gains by being reminded of what makes customers buy.

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About the author...

Brian Woolf is a global leader in loyalty marketing and has written three definitive works on the subject, Measured Marketing: A Tool to Shape Food Store Strategy, Customer Specific Marketing, and Loyalty Marketing: The Second Act. He devotes his time to helping retailers develop, critique and strengthen their loyalty programs.

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