

# **Identifying and Assessing Industry Perceptions and Opportunities**

Developed For

**The Mushroom Council**

By

**Willard Bishop Consulting, Ltd.**

**May 1999**

**WBC**

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## **Introduction**

In March 1999, the Mushroom Council asked Willard Bishop Consulting, Ltd. (WBC) to conduct a survey with major retailers across the country to understand how they view the mushroom category and its importance to the overall success of the produce department.

This information will help the Mushroom Council address industry perceptions and offer desired services to enhance overall category performance.

Additionally, this project can serve as the basis for future work in the mushroom category, i.e., category planning, business reviews, and evaluations.

## **Objectives**

The overall objectives of this project are to:

- ✓ understand retailer perceptions of and experiences with the mushroom category.
- ✓ evaluate how the category is perceived in relation to other produce categories.
- ✓ identify opportunities for mushroom suppliers and/or the Mushroom Council to work with retailers to build category sales.
- ✓ establish perception benchmarks to use in future evaluations.

This information can be used by the Mushroom Council to identify "opportunity gaps" between current services and potential offerings.

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## **Approach**

To achieve these objectives, WBC conducted telephone interviews with 18 retailers. WBC ensured that these companies equally represent all five major geographic regions and customer groups, e.g., large and small.

WBC interviewed a broad range of executives knowledgeable about the mushroom category, including:

- |                            |                                 |
|----------------------------|---------------------------------|
| ✓ Produce Buyer            | ✓ Vice President of Produce     |
| ✓ Produce Category Manager | ✓ Produce Merchandising Manager |
| ✓ Director of Produce      | ✓ Director, Produce Purchasing  |

WBC worked with the Mushroom Council to develop the retail target list, and interview length ranged from 15 to 30 minutes.

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## Approach

WBC developed the interview discussion guide (see Appendix) with input and guidance from the Mushroom Council. The guide contains a series of questions regarding:

general category trends.

- ✓ sales and profitability trends.
- ✓ consumer impact.
- ✓ merchandising techniques.
- ✓ category support services.

This report contains findings and implications for the Mushroom Council in each of these major areas.

The Appendix also contains the regional breakout for specific questions.

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## Retailer Participants

The retail participants represent some of the largest operators across the United States. WBC conducted at least three interviews per geographic region.

| <u>West</u>              | <u>Midwest</u>          | <u>South</u>          |
|--------------------------|-------------------------|-----------------------|
| ✓ Albertsons (corporate) | ✓ Hy-Vee                | ✓ Fleming (corporate) |
| ✓ City Markets (CO)      | ✓ Jewel                 | ✓ Harps               |
| ✓ Lucky North            | ✓ Kroger (Indianapolis) | ✓ Randalls            |
| ✓ Lucky South            |                         |                       |
| <u>Southeast</u>         | <u>Northeast</u>        |                       |
| ✓ Bruno's                | ✓ A&P (corporate)       |                       |
| ✓ Farm Fresh             | ✓ Acme                  |                       |
| ✓ Harris Teeter          | ✓ Hannaford             |                       |
| ✓ Ukrop's                | ✓ Stop & Shop           |                       |

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## **Summary of Findings**

There are five key finding areas including:

- ✓ General Category Trends
- ✓ Sales & Profitability Trends
- ✓ Consumer Impact
- ✓ Merchandising Techniques
- ✓ Category Support Services

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## **Summary of Findings**

### ***I. General Category Trends***

1. While retailers have varied approaches to defining the mushroom category, many do not "segment" the category but instead analyze it on a "per-item" basis.
2. While retailers state that packaged whole and sliced "whites" are the largest category sellers, varieties such as portabellas are providing the largest sales growth.
3. Many retailers view the mushroom category as a profit generator.
4. Many retailers view mushrooms as "very important" to the overall produce department.

### ***II. Sales & Profitability Trends***

5. Most retailers report that mushroom sales and profits are growing due to increased consumer awareness and promotional levels.
6. Additionally, many retailers expect to maintain this category growth in the next few years.
7. Most retailers report that mushroom sales and profits rank in the middle third of all produce categories, with some variance.

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## **Summary of Findings**

### **III. Consumer Impact**

8. In terms of consumer appeal, most retailers view mushrooms' category role as a combination of destination and routine.
9. Retailers believe that mushrooms greatly impact overall store image and consumer quality perceptions, more than other categories.

### **IV. Merchandising Techniques**

10. Most retailers display mushrooms in refrigerated cases adjacent to packaged salads.
11. Few retailers consistently promote mushrooms or try unique merchandising techniques such as cross-merchandising.

### **V. Category Support Services**

12. Many retailers are interested in participating in category reviews and planning with their mushroom supplier, although responses vary due to retailer strategy.
13. Additionally, retailers welcome support services from both suppliers and commodity groups, with a few distinctions.

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## **I. General Category Trends**

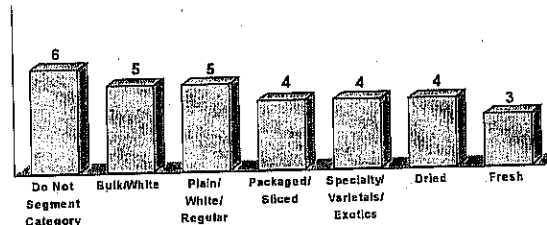
## Findings - General Category Trends

**#1**

While retailers have varied approaches to defining the mushroom category, many do not "segment" the category but instead analyze it on a "per-item" basis.

About one-third of retailers interviewed do not segment the mushroom category, while other retailers use segments in managing the category.

Q: What segments are included in the mushroom category?  
(Number of Retailers Responding)



\*Multiple responses allowed.

- ✓ "We really don't segment the category but look at each item's sales, profits, etc."
- ✓ "We view the category in terms of whole bulk, sliced, and specialty."
- ✓ "We look at whites, varietals, and dried. Whites are our anchor, dried support whites, and varietals are the accents—they promote our variety image."

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## Findings - General Category Trends

**#1**

(cont.)

Additionally, retailers emphasize quality, and then sales and profits when analyzing mushroom performance.

- ✓ "First, we look at quality, then sales and profits."
- ✓ "We also look at shrink, a big issue with the category. Is it under control, and do we have a handle on it?"
- ✓ "Consistent quality, price, and value to the consumer is most important."

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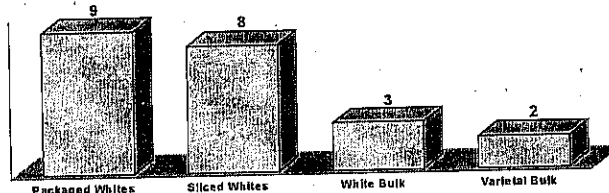
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## Findings - General Category Trends

**#2**

White retailers state that packaged whole and sliced "whites" are the largest category sellers, varieties such as portabellas are providing the largest sales growth.

Q: What items/segments provide the greatest sales/profit contribution?  
(Number of Retailers Responding)



\*Multiple responses allowed.

- ✓ "Whites are the largest portion of the category in terms of sheer tonnage. They're stagnant, though. The greatest potential for growth is in varieties such as portabellas."
- ✓ "The ten-ounce, regular white is our number one seller, but exotics are growing."
- ✓ "The eight-ounce package, sliced and whole, are our top two items."

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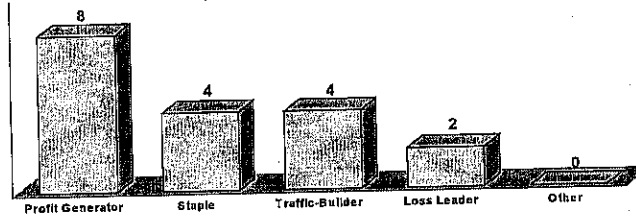
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## Findings - General Category Trends

**#3**

Many retailers view the mushroom category as a profit generator.

Q: What role do mushrooms play within your produce department?  
(Number of Retailers Responding)



- ✓ "We make a lot of money on mushrooms. Interest has been increasing so much that we're trying to use them as a traffic-builder."
- ✓ "Mushrooms bring in about a 45% margin, so I'd say profit generator. We can also advertise and use varieties to build traffic."
- ✓ "Mushrooms have very high shrink, higher than other produce items, so I'd have to call them a staple."

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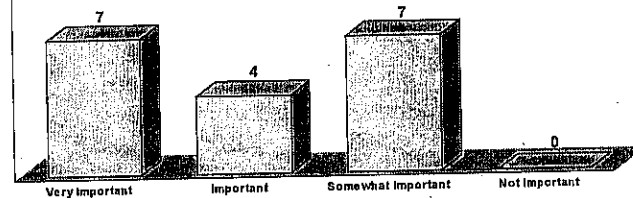
## Findings - General Category Trends

**#4**

*Many retailers view mushrooms as "very important" to the overall produce department.*

All retailers interviewed rated mushrooms as at least "somewhat important" to department performance.

Q: How important are mushrooms to produce performance overall?  
(Number of Retailers Responding)



- ✓ *"Mushrooms are very important; they generate a lot of profit and increase the variety image."*
- ✓ *"We like to provide high quality and selection; it enhances store image."*
- ✓ *"Mushrooms are less than 2% of department sales, so they're not a sales powerhouse. But, they're growing in popularity and are a category that we must provide a strong offering to our customers."*

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## Implications - General Category Trends

*Retailers recognize the profitability and importance of the mushroom category to overall produce department performance.*

*The Mushroom Council and mushroom suppliers have an opportunity to further this understanding and support category growth by:*

- ✓ *defining and segmenting the category so that each mushroom segment is maximized and consumer needs met.*
- ✓ *building close retailer partnerships.*
- ✓ *helping retailers define mushroom "variety," e.g., size, flavor, package.*
- ✓ *providing category and produce performance data to regularly benchmark against.*

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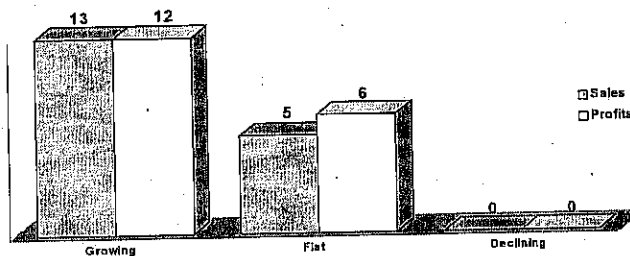
## II. Sales & Profitability Trends

### Findings - Sales & Profitability Trends

**#5**

*Most retailers report that mushroom sales and profits are growing due to increased consumer awareness and promotional levels.*

Q: How are mushrooms performing in your stores?  
(Number of Retailers Responding)



- ✓ "Consumer awareness is growing. More people have exposure to different varieties in restaurants, and people may try portabellas instead of steak for health reasons. Also, more people are grilling out with mushrooms."
- ✓ "We've increased our promotional activity and adjusted our pricing. We've also added more packaged, sliced items."
- ✓ "There was a big boom a few years ago, but it's tapered off lately."

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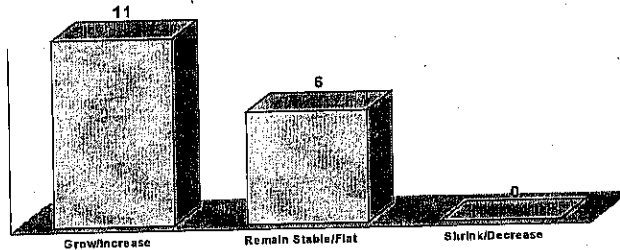
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## Findings - Sales & Profitability Trends

**#6**

Additionally, many retailers expect to maintain this category growth in the next few years.

Q: How will mushrooms perform in the next few years?  
(Number of Retailers Responding)



- ✓ "I think mushrooms will continue to grow in terms of sales, profits, and production. There will be incremental growth each year."
- ✓ "I expect sales to keep growing as consumers become more familiar with mushrooms, how to use them, and as we offer more value-added or sliced items."
- ✓ "With the right price and a good relationship with our supplier, I think sales will skyrocket in the next few years."
- ✓ "I think sales will be flat unless we drive consumption through promotions or new marketing activity."

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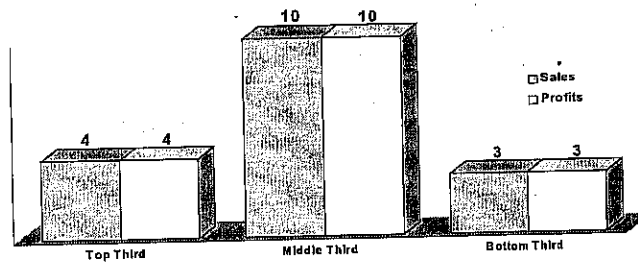
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## Findings - Sales & Profitability Trends

**#7**

Most retailers report that mushroom sales and profits rank in the middle third of all produce categories, with some variance.

Q: Compared to other produce categories, mushroom sales and profits are in the:  
(Number of Retailers Responding)



- ✓ "The category is very profitable and generates a lot of sales. But also, a lot of shrink..."
- ✓ "Mushrooms are probably in the middle of the pack in terms of overall performance."
- ✓ "While overall sales and profits are less than other produce categories, mushrooms play a higher role in impacting store variety and quality perceptions."

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## ***Implications - Sales & Profitability Trends***

*Again, retailers are very positive and optimistic about mushroom category performance.*

*The Mushroom Council and suppliers can foster category growth by providing:*

- ✓ information that promotes fact-based decisions.*
- ✓ category plans with performance assessment, strategies, and tactics.*
- ✓ shrink diagnosis and remedies.*
- ✓ targeted consumer campaigns, e.g., in-store materials and marketing efforts.*

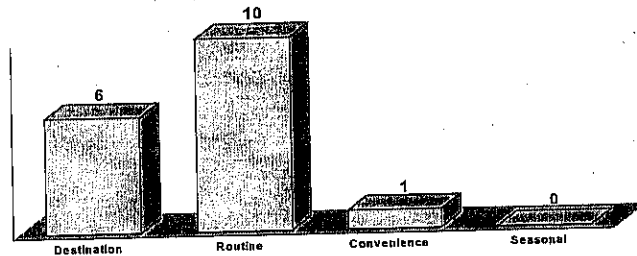
### ***III. Consumer Impact***

## Findings - Consumer Impact

**#8**

*In terms of consumer appeal, most retailers define mushrooms' category role as a combination of destination and routine.*

Q: What category role do mushrooms play in terms of consumer appeal?  
(Number of Retailers Responding)



- ✓ "A lot of our customers are picking up regular whites every time they're in the store. But some items, like portabellas, are destinations."
- ✓ "Most shoppers are looking for specific items for a recipe, so they're a destination, not routine or on impulse."
- ✓ "In most cases, I'd say, 'routine.' However, in our upscale stores, we're emphasizing exotics more. Those are a destination."

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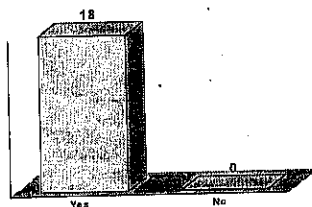
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## Findings - Consumer Impact

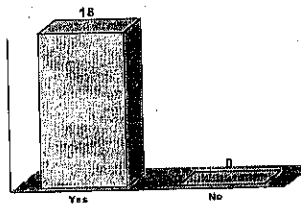
**#9**

*Retailers believe that mushrooms greatly impact overall store image and consumer quality perceptions, more than other categories.*

Q: Do mushrooms impact store image?  
(Number of Retailers Responding)



Q: Do mushrooms impact consumer quality perception?  
(Number of Retailers Responding)



- ✓ "Having strong quality and variety in mushrooms can really help position your store as upscale and offering premium selection and quality across the board. And, the opposite is true, to a stronger degree."
- ✓ "Having old, brown mushrooms absolutely kills the impression of the produce department—and even the store."
- ✓ "Quality and freshness—color, texture—are critical in the category, and mushrooms are more sensitive to light/heat. Also, consumers are more apt to notice the quality of mushrooms than other produce categories."
- ✓ "Mushrooms are among the top ten items in the store impacting consumer quality perception."

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## **Implications - Consumer Impact**

*Retailers believe consumers either regularly shop the category or that they deliberately seek certain items. This insight underscores the need to identify, understand, and target consumer groups with specific plans for:*

- ✓ variety.*
- ✓ merchandising.*
- ✓ promotions.*
- ✓ pricing.*

*Additionally, retailers believe mushrooms have an extremely strong effect on consumer perceptions of the store's variety and quality image. The Mushroom Council and suppliers can address concerns by emphasizing:*

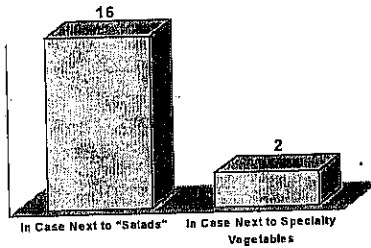
- ✓ product quality and freshness.*
- ✓ in-store handling and merchandising guidelines and support.*
- ✓ appropriate variety and space allocation.*

## **IV. Merchandising Techniques**

## Findings - Merchandising Techniques

**#10** Most retailers display mushrooms in refrigerated cases adjacent to packaged salads.

Q: Where do you currently merchandise mushrooms?  
(Number of Retailers Responding)



- ✓ "Adjacencies can vary by store, but mushrooms are usually next to salad vegetables or packaged salads."
- ✓ "We make sure to keep a good, refrigerated temperature."
- ✓ "We keep all segments together in an 8' x 10' refrigerated section."

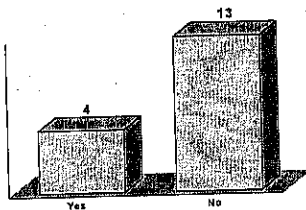
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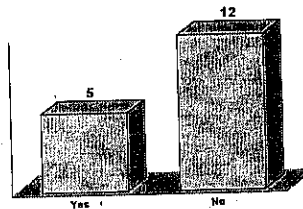
## Findings - Merchandising Techniques

**#11** Few retailers consistently promote mushrooms or try unique merchandising techniques such as cross-merchandising.

Q: Do you regularly promote mushrooms?  
(Number of Retailers Responding)



Q: Do you do any cross-merchandising with mushrooms?  
(Number of Retailers Responding)



- ✓ "We're limited in promoting mushrooms because many of our feature tables are not refrigerated."
- ✓ "We do some consistent in-ad features and in-store demos. These two seem the most effective."
- ✓ "We've cross-merchandised mushrooms in the meat case next to steaks, and with cooking wines and spices. Moderate response."
- ✓ "We've cross-merchandised with meat and 'grilling' produce such as eggplant and corn. Tricky to do since mushrooms are so light/heat sensitive."

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## **Implications - Merchandising Techniques**

*The Mushroom Council and suppliers have an opportunity to grow sales, increase effective promotions, and strengthen retailer relationships by offering merchandising and promotional support. This could include:*

- ✓ *mushroom best practices, including promotion, merchandising, and display guidelines, i.e., adjacencies, proper temperatures, handling.*
- ✓ *innovative merchandising and promotional plans, e.g., themes, POP materials, and recipes such as:*
  - *"mushroom-friendly" promotional displays, maintaining needed temperatures.*
  - *cross-merchandising suggestions with e.g., gourmet pizza or pasta ingredients and grill-out items.*
  - *themed POP programs to generate sales.*

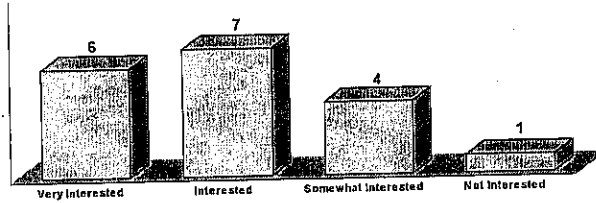
## **V. Category Support Services**

## Findings - Category Support Services

**#12** Many retailers are interested in participating in category reviews and planning with their mushroom supplier, although responses vary due to retailer strategy.

While few retailers are currently involved in category management for mushrooms, many would like to be.

Q: How interested are you in business reviews and planning with a mushroom supplier or commodity group?  
(Number of Retailers Responding)



- ✓ "It's very critical to track sales and put planning analysis together. We need to know where we stand versus the competition (or regional composites) so we know when to make a change."
- ✓ "We're interested in learning more and doing more in the category. However, we don't have the time to do a lot of the groundwork on it; we need to work with a supplier who can provide the capabilities."

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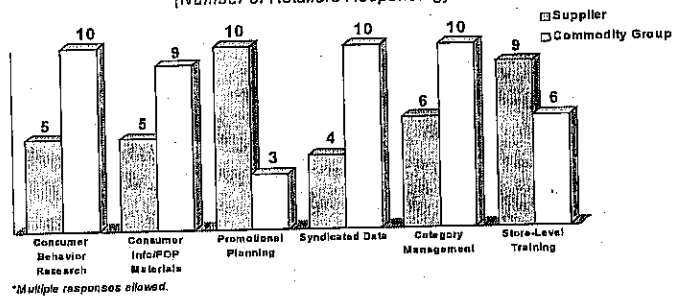
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## Findings - Category Support Services

**#13** Additionally, retailers welcome support services from both suppliers and commodity groups, with a few distinctions.

Retailers are looking for commodity groups to deliver consumer research, POP materials, syndicated data, and category management services.

Q: What kind of commodity support services are you looking for from a mushroom supplier or commodity group?  
(Number of Retailers Responding)



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## Findings - Category Support Services

### #13 (cont.)

- ✓ "I'd look to our supplier for promotional planning, store-level training, and some category management. I'd look to a commodity group for consumer behavior research and materials, syndicated data, and perhaps, category management."
- ✓ "Promotional planning should come directly from the supplier—because they're closest to the supply! However, syndicated data and category management support are great from a commodity group."
- ✓ "We prefer to partner in category management directly with the supplier. They're closer to certain issues: distribution, production, etc."
- ✓ "I've been asking my suppliers for category management. We've really seen the benefit in other categories."

## Implications - Category Support Services

Retailers are open and excited about working closely with the Mushroom Council and/or suppliers to receive category information provided that the services are:

- ✓ tailored to their specific needs and strategies.
- ✓ not requiring a significant investment of the retailer's time or money.

Additionally, many retailers have begun category management programs in other produce categories and would like to begin the process with mushrooms.

***Appendix***

***Regional Breakouts***

## Finding #2

Q: What items/segments provide the greatest sales/profit contribution?  
 (Number of retailers replying)

|                 | Northeast | Southeast | South | Midwest | West | Total |
|-----------------|-----------|-----------|-------|---------|------|-------|
| Packaged Whites | 2         | 3         | 2     | 1       | 1    | 8     |
| Sliced Whites   | 2         | 2         | 1     | 2       | 1    | 8     |
| White Bulk      | 0         | 0         | 1     | 0       | 2    | 3     |
| Varietal Bulk   | 2         | 0         | 0     | 0       | 0    | 2     |

\*Multiple responses allowed

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## Finding #5

Q: How are mushrooms performing in your stores?  
 (Number of retailers replying)

|                  | Northeast | Southeast | South | Midwest | West | Total |
|------------------|-----------|-----------|-------|---------|------|-------|
| <b>Growing</b>   |           |           |       |         |      |       |
| Sales            | 4         | 3         | 3     | 2       | 1    | 13    |
| Profits          | 4         | 3         | 3     | 2       | 0    | 12    |
| <b>Flat</b>      |           |           |       |         |      |       |
| Sales            | 0         | 1         | 0     | 1       | 3    | 5     |
| Profits          | 0         | 1         | 0     | 1       | 4    | 6     |
| <b>Declining</b> |           |           |       |         |      |       |
| Sales            | 0         | 0         | 0     | 0       | 0    | 0     |
| Profits          | 0         | 0         | 0     | 0       | 0    | 0     |

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## Finding #10

**Q: Where do you currently merchandise mushrooms?**  
(Number of retailers replying)

|                                      | <u>Northeast</u> | <u>Southeast</u> | <u>South</u> | <u>Midwest</u> | <u>West</u> | <u>Total</u> |
|--------------------------------------|------------------|------------------|--------------|----------------|-------------|--------------|
| In case next to "salads"             | 4                | 3                | 2            | 3              | 4           | 16           |
| In case next to specially vegetables | 0                | 1                | 1            | 0              | 0           | 2            |

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## Finding #11

**Q: Do you regularly promote mushrooms?**  
(Number of retailers replying)

|     | <u>Northeast</u> | <u>Southeast</u> | <u>South</u> | <u>Midwest</u> | <u>West</u> | <u>Total</u> |
|-----|------------------|------------------|--------------|----------------|-------------|--------------|
| Yes | 6                | 1                | 1            | 1              | 1           | 4            |
| No  | 4                | 2                | 2            | 2              | 3           | 13           |

**Q: Do you do any cross-merchandising with mushrooms?**  
(Number of retailers replying)

|     | <u>Northeast</u> | <u>Southeast</u> | <u>South</u> | <u>Midwest</u> | <u>West</u> | <u>Total</u> |
|-----|------------------|------------------|--------------|----------------|-------------|--------------|
| Yes | 1                | 1                | 2            | 0              | 1           | 5            |
| No  | 3                | 2                | 1            | 3              | 3           | 12           |

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***Interview Discussion Guide***