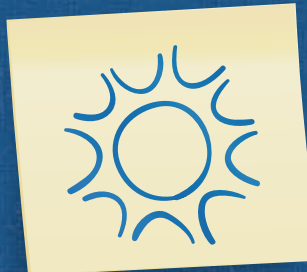
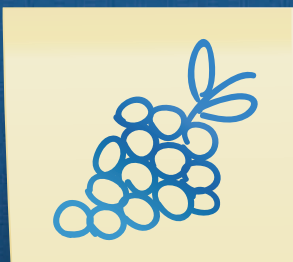


National Cooperative Grocers Association

Retail Basics

Merchandising and Store Conditioning

A Workbook for Co-op Managers
and complement to Retail Basics 101 workshop



by Patricia Cumbie

Notes to Reader

The author has provided online references to resources that may be useful. Please note, though, that Web addresses frequently change. We will try to confirm and update links at regular intervals. Feel free to tell us if a link is not working so that we can update it.

This workbook should not be construed as legal advice or as pertaining to specific factual situations.

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By Patricia Cumbie

National Cooperative Grocers Association

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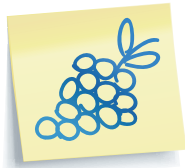
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Workbook Overview

Welcome to *Retail Basics: Merchandising and Store Conditioning*, created by the National Cooperative Grocers Association (NCGA).

NCGA specifically designed this workbook to support effective merchandising in your food co-op and to enhance the customer experience using tools and practices that support retail excellence. Through this handbook, you will gain professional knowledge on:

- How shoppers see your co-op
- Components of effective merchandising
- Specific tactics in merchandising
- Enhanced visual orientation to your co-op and specific departments
- Tools to improve store conditioning
- How others approach merchandising and store conditioning
- Creating a specific improvement plan

We offer this workbook in an effort to explore the unique aspects of merchandising and store conditioning in a co-op setting. When the customers own the store, this changes the focus and purpose of many retail practices. No longer is it our aim to simply sell more and more to customers regardless of the quality of the product or the shopper's need. When our customers are also member/owners, merchandising carries a different focus. This workbook draws upon standard industry practices, with some sensitivity to their unique application within the co-op environment.

This workbook is designed to supplement NCGA's Retail Basics (RB) training program. Retail Basics provides professional development and training about grocery retailing to co-op managers, focused primarily at the department manager level. The core RB curriculum gives managers fluency in the basics of retail operations to enhance their skills and performance. Retail Basics 101 is the first of a three-part training program; RB 102 focuses on managing key department indicators, and RB 103 examines supervision and team building.

NCGA is a business services cooperative for U.S. food co-ops. NCGA helps unify food co-ops to optimize operational and marketing resources, strengthen purchasing power, and ultimately offer more value to food co-op owners and shoppers everywhere.



Customer Service

Every day, we enter our stores and go right to the business at hand without really looking at how customers might see the store. Often, we don't even enter through the same door our customers use. If our work keeps us in backroom prep areas, we may not spend much time on the sales floor. Therefore, it is essential to train ourselves to see the store through customers' eyes.

Start by assessing one area or department. For example, go outside and consider the visibility of signage, access to parking, attractiveness of the store's facade, and ease with which customers can tell if the store is open. Over the course of a few weeks, assess other areas and departments to identify critical needs for improvement. Begin by considering how a customer would approach each particular area.

When a customer first steps in the door, how easy is it to get a shopping cart or basket? Are the displays welcoming and full? Are customers greeted or ignored? Move through departments with an eye toward organization and cleanliness. Make sure eating areas appear safe to eat in, equipment is clean, and staff are properly trained in sanitary food handling.

Review the quality of your signage and educational materials and displays. It is critical that the co-op offer information that's credible and will lead to informed purchasing decisions.

Consider the departure phase of your customers' shopping trips. Evaluate your service systems for helping them unload their carts, move through checkouts, and get groceries bagged.

Use the opportunity to see the store through customers' eyes not just to maintain an attractive and clean store; make seeing the store as a customer would part of your internal operations. When you master this fundamental of retailing, your store will be a better place to shop.

What Does Your Customer Value?

Looking at your retail operation from the perspective of your customers provides a framework for analyzing and discussing food merchandising and ways in which the consumer may be satisfied.

The good grocery store operator will identify and cater to those features that provide value to customers and prospective customers.

Convenience, product selection, and how an organization conducts business are factors in why consumers decide to patronize one store over another. The importance of these factors may change over time, depending on the competitive situation and customer tastes and preferences. Your challenge is to understand how important these features are to your customers and to deliver them to the marketplace.

Convenience

Convenience factors are things that save time and effort for the consumer. How easy is it to access your store and to shop? Use the following list to assess your co-op's ability to deliver on convenience:

Location

- Proximity to the consumer's home
- Routes of travel
- Highway access
- Nearness of other stores

Access

- Entrance to store
- Automatic doors
- Parcel pickup

Parking

- Ease of entrance to and exit from parking lot
- Size of lot—can it accommodate peak-time shopping?
- Smooth traffic flow
- Bike racks

Ease of Shopping

- Store layout
- Aisle width
- Obstacles (hand trucks, milk crates, stockers, etc.)
- Checkout facilities
- Child-friendliness

Services

- Check cashing
- Credit and debit cards
- Grocery carryout
- Store hours
- Store directory
- Aisle signs
- Bagging at checkout counter
- Knowledgeable people (especially in health and body care)

Products

Your product mix is a critical part of merchandising your food co-op. Customers will base their buying decisions on variety, price, quality, and packaging. Meeting a customer's expectations for value and quality is a high priority. As you develop a product mix, consider the following:

Price

- Individual product, department-wide, and store-wide prices
- Price image
- High, low, and moderate prices

Quality

- Color
- Odor
- Taste
- Texture
- Flavor
- Packaging
- Production values
- Local products

Variety

- Completeness of departments
- Products within each department
- Brands
- Package sizes
- Bulk and prepackaged foods

Packaging

- Environmentally friendly packaging
- Convenient sizes (family pack, portion pack)
- Crisp and clean repack
- Bulk choices, including bags and containers for self-packing

Business Practices

The perception of your business also drives whether consumers will decide to shop there. Food co-ops often purport to be founded on ethical business practices, caring relationships, and ecological responsibility. How well are these ideas communicated to customers and employees? Customer service and appropriate merchandising are your tools for conveying these messages to consumers. Review the following list for basic attitudes and services that show consumers and the community at large the co-op difference:

Personal Relationships

- Greeting customers
- Knowing customer names
- Assisting customers
- Making suggestions
- Following up on requests
- Employee-to-employee communication
- Employee morale

Physical and Aesthetic Features of the Store

- Cleanliness and neatness
- Employee appearance
- Interior decor
- Music
- Lighting
- Aroma
- Sampling and cooking demos

Ethical Behavior

- Reputation of cooperative
- Relationship to employees and public
- Support for community events and charities

Selling Methods

- Consumer education
- Advertising
- Promotional techniques
- Discounts
- Frequent-shopper program
- Sampling and cooking demos

Customer Service Delivery

The experience a shopper has in your store cannot be separated from your retail operations. Your store could be giving customers what they want in terms of product, price, and convenience yet still fail to deliver what they need in customer service. Good customer service is an important component of your retail identity.

Research has shown that companies that emphasize service tend to be more profitable, have lower marketing costs, have fewer customer complaints, and have more repeat business. Getting your store to that level of success is important not only for your operations to survive but also to fulfill the co-op's mission in the community.

As Kristin Anderson and Ron Zemke note in their customer service compendium *Delivering Knock Your Socks Off Service*, your customers are everywhere—inside and outside the business. Your staff is a crucial component in retail merchandising. They can build relationships that help sell product and augment your displays.

Elements of a Customer Service Culture

Excellent customer service is the result of attitudes and operational structures that deliver on the promise to meet and exceed customer expectations. A commitment to customer service excellence, strong customer service policies, and operational systems designed to facilitate good service are key. Your co-op should institute regular customer service training programs and accountability systems to uphold customer service standards. Additionally, by empowering staff to implement improvements and provide feedback to management, you will foster an environment of employee satisfaction and rewards for good customer service.



Principles of Merchandising

Long before the “science of shopping” and merchandising data-monitoring systems, retailers relied on daily sales totals to learn what products sold. However, trying to infer information about shoppers through sales figures is difficult. Why people buy involves many factors, including emotional need, social perceptions, and values. Understanding that your store has more than one constituency and the myriad reasons they are driven to buy will enhance your ability to encourage people to buy from you. If you provide a good shopping experience through sound merchandising and customer service, you will make your products more desirable to consumers.

The single most important factor in determining how much someone buys is how much time he or she spends in the store. Visual and sensory merchandising that directly appeals to shoppers’ wants and needs is a critical factor in creating loyalty-building shopping experiences.

The main forces that drive consumer food purchases are:

- **Necessity:** Purchasing products to meet basic needs
- **Desire:** Purchasing based on the belief that a product will “enhance” life experience
- **Impulse:** Purchasing products presented in captivating ways

Shoppers’ tastes and behaviors will continue to change and evolve. Understanding their motivation is a hybrid discipline—part art and part science. One important way to improve your odds of reaching the consumer is to improve your systems for merchandising implementation.

Introduction to Merchandising

When a customer walks through your doors, what makes him or her want to purchase your products? One of the key drivers guiding a customer's behavior is merchandising. Well-merchandised products enhance the shopping experience and play a vital role in generating robust sales.

This chapter provides an overview of basic shelf merchandising, with the goal of maximizing your sales. It addresses the planning, ordering, building, and maintenance of end caps and displays, as well as the planning process for implementing resets and store projects. The guidelines and techniques presented here will help make the most of your merchandising—every day, for every customer—regardless of store layout.

Merchandising and Category Management Defined

Merchandising began as the application of skill and ingenuity to selling products, using display techniques that put products top-of-mind for consumers. In the last thirty years, merchandising has become more of a science, with significant information from research enabling us to more closely predict the outcome of merchandising activities.

In merchandising parlance, a category is a manageable group of similar products, such as different kinds of cereal, that in the mind of the consumer are substitutable. Category management is the ability to monitor these products in ways that enhance sales.

To make the most of your merchandising opportunities, first consider whether your co-op has the right product mix. Employing category management, which helps manage product mix and optimize retail space, will give you fact-based data. Primary objectives of category management are to increase profits, maximize supplier partnerships, complement merchandising, and satisfy customer needs. Category management is a systems approach to store presentation. (For information on an in-depth study of category management, see the “Resources” section of this manual.)

The four P's of category management:

Product

At their most basic level, products are what customers buy. Products can be analyzed by their characteristics, including quality, features, styling, brand name, and packaging. The merchandising process begins with an analysis of data to determine the best mix of products for each section.

Placement

Where and how products are distributed to the consumer determines placement, and these decisions are impacted by such things as inventory and store layout. Determining where to merchandise products can be a challenge; doing it well can increase your market share and maximize customer shopping patterns.

Research shows that the number of displays in grocery stores is declining as “clean-floor” policies and a greater focus on fresh foods take hold. As the shopping environment transforms, display space becomes more competitive. Display opportunities need to be tied to overall growth strategies.

Pricing

Price is the cost paid by the consumer, and what to charge is a mix of internal and external marketing objectives and consumer perception. Pricing impacts the effectiveness of merchandising; it's critical that pricing be consistent with the overall brand strategy for your store. Pricing should reflect market trends, align with consumer expectations, be competitive, and incorporate promotional opportunities.

Promotions

Promotions highlight products for your customers. They communicate messages about your products, such as their advantages and benefits. Promotions can encompass advertising, special sales, publicity, and focused attention in-store through signage, placement, or demos. Promotions require thoughtful selection, placement, and pricing, as well as great merchandising.



Product Assortment

Food co-ops are committed to providing their patrons and the community with high-quality, nutritious foods sold with integrity. Many food co-ops write product selection guidelines that support their missions and help guide the decision making of department buyers. Product selection policies often address food production issues and may give priority to products that are natural, organic, local, seasonal, or free from preservatives, hormones, additives, antibiotics, irradiation, chemicals, and other items.

By learning more about technical tools for product selection, buyers at food co-ops can make informed product choices that reflect the goals of the organization. (See Appendix A for a product philosophy statement from Weavers Way Co-op in Philadelphia.)

Product Selection

It's simply impossible to display all the products available from your suppliers and manufacturers. Buyers, department managers, and other employees must select products that customers regularly buy. Choices about selection, location, and space allocation become complex, because each department has hundreds to thousands of products to display.

The product selection process usually entails asking the following questions:

- Does the product fit your co-op's identity?
- Is the product typically a strong seller?
- Are your customers familiar with the product?
- If it is a new product, what is the driving force for bringing it in (requests, a new trend, introducing a new category)?

Before undertaking any reset, major store project, or evaluation of your product assortment, you'll need to evaluate your product mix. Product mix means providing the right products at the right price in the right locations, and promoting them to attract your target consumer based on your vision and mission. Determining product mix involves looking at sales information, as well as considering new trends in the marketplace or challenges from your competition. Several technical tools are available to help with this task:

SPINS Data

Most manufacturers purchase SPINS (Spence Information Services) data that reflects consumer purchases. SPINS partners with key industry retailers, distributors, brokers, and manufacturers to capture relevant data in the natural products industry. This data supports us in our efforts to make fact-based decisions that reflect industry trends. When you submit a SPINS report, SPINS converts it into data to help you further understand your customers' purchases.

SPINS can analyze your point-of-sale (POS) information, giving you store-specific sales information on categories, subcategories, and items. SPINS also allows you to compare your store's performance with other co-ops in your region, as well as with competitive markets.

POS Information

If your store has a scanning POS system, you can utilize your sales information to review product rankings. By looking at your own POS data, you can review:

- Customer trends
- Sales for each category, subcategory, and scanned product
- Product rankings in order of greatest to least sales volume
- Current costs, suggested retail price (SRP), and margin reports

Carefully analyze these reports to determine what is selling in your store and what is not. Also compare these reports with SPINS and distributor reports.

Distributor/Manufacturer Reports

Most distributors can provide you with product movement reports that reflect your purchases from them. Distributors also offer data to help you assess your purchase history. Examining distributor purchases nationally and regionally can help you assess trends from the buyer's perspective. Distributors provide "top sellers reports" that show their best-selling items. Some distributors also produce "bounce reports" or "gap reports"; these compare the items your store carries with the distributor's overall product mix and the items your store does not carry.

Manufacturers also offer data and expertise from their individual companies. Reviewing various trends can provide additional insights to complement your distributor reports, POS information, and SPINS data.

Broker Assistance

Product brokers can provide technical assistance and advice, as well as reports on product movement. These reports provide purchase volumes for individual products and product groups, as do scanning reports, but they also offer comparative information for retail customers.

Product Mix Evaluation and Resets

Whether you're remodeling your entire store or just freshening up the soup set, a reset is the perfect opportunity to evaluate your product mix and make positive changes. If merchandised effectively, a reset will produce a measurable increase in sales and a cleaner look for your store.

Increasing sales and profitability through merchandising techniques begins with a plan. While spontaneous store projects can provide an exciting challenge, the potential for accompanying inconvenience and problems is great. A well-planned reset will usually produce better results in a shorter period of time.

You will have to think through the steps before you move anything. Start by thinking about the end result you want to achieve. Once you understand what you want to accomplish, consider the most logical timeline for the reset tasks.

You'll need to figure out the most efficient ways to make changes, minimizing disruptions to customers. How will you make room for new products or multiple facings? Will you need to discontinue items and sell off old stock? How will you fill the reset spaces? What departments will be impacted by the reset? What new features will you need—lighting, electrical outlets, equipment? How long will it take to accomplish the reset? How will you communicate your plan to customers and staff? Before you move anything, consider:

- **Timing:** Consider everything from the time of year to the time of day. Minimizing the impact of the project on your customers is key. Whether the chosen day is an order day or a freight day is also critical.
- **Schematics:** A schematic that depicts what you are trying to accomplish with the reset is extremely helpful, especially for large projects. A schematic might be as advanced as a plan created with merchandising software or as simple as a hand-drawn diagram. The important thing is a schematic that answers the basic questions: “What goes where?” and “Will it fit?”
- **Support:** Undertaking a major reset on your own is unnecessary. Involve staff, but keep in mind that free labor and expertise are often also available. Broker and distributor representatives participate in dozens of store projects each year, providing valuable merchandising expertise. If you have a good relationship with such representatives, contact them directly. Broker support can be a win-win-win situation, resulting in new products for your customers, discount pricing (or even free fill) for your store, and sales for the broker.
- **Steps:** When remodeling an entire store or moving multiple categories to new locations, it's important to map out each step of the process. For example, say you are moving sections X, Y, and Z to new locations. Section X is moving to a location currently occupied by Section Y, so you'll need to completely remove Section Y from the shelves. Once Section X has been moved to its new location, Section Z can be set in the empty space once occupied by Section X. The empty space created by moving Section Z to its new location will provide a new home for Section Y, and so on. Using a grid of the store's floor plan, with boxes for each product section, can be especially helpful in the visualization and implementation of the process.

Why We Reset

Store reset projects provide both a challenge and an opportunity. With adequate preparation and support, your store can maximize positive results and reduce potential pitfalls. By planning and implementing a reset, you can boost sales without adding a single square foot of retail space. In fact, as a rule of thumb, a well-executed reset will consistently result in a 10 to 15 percent sales increase immediately.

Done properly, resetting provides good organization, takes advantage of beneficial adjacencies of related products, maximizes pack-out on shelves, and contributes to sensible store flow. It allows you to recapture shelf or floor space and periodically maintain sets as products, packaging, and market shares change.

Ease both customer and employee apprehension by posting notices that “positive changes” are coming and by providing diagrams or maps of your new layout to help navigation once you’re finished.

The Resetting Process

Execute your reset using the following steps:

1. Pull Facings: A facing is the physical space allocated to each product on the shelf. The number of facings a product has correlates with how much space it has in the set and determines whether or not that product packs out on the shelf. The first step in executing your reset is to pull products according to the number of facings they will have in the new set—pull one for products that will be single-faced and two (or more) for products that will have more than one facing. Put the products together in a cart or boxes. These products will be used to produce the shelf set.

2. Pull Remaining Shelf Stock: Pull the remaining shelf stock, or back fill, and place it in carts or boxes that can be temporarily stored out of the aisle. Organize shelf stock by stock-keeping unit (SKU). This step will facilitate restocking the section once you are finished setting it.

3. Set Shelf Height: Now you have a blank slate for your new section, with empty shelves that can be easily moved. Consult your diagram and collect the tallest (usually the largest) SKUs for each shelf from your cart of facings. Use the tallest SKUs to set shelf height, starting at the bottom and working your way to the top, shelf by shelf.

4. Set the Product: Use the facings you have pulled to arrange (set) the products on the shelf. Consult chapter 5 (“Product Placement and Display”) for more details.

5. Fine-tune: Once you have set the section, gather pertinent decision makers for approval. Since you have set only with facings, not all the shelf stock, you can easily tweak and fine-tune the set or experiment with alternative arrangements.

6. Fill the New Set: Once you have final approval for the set, gather your shelf stock and fill the set. If you are resetting multiple sections at the same time, it can be efficient to have your stocking crew fill a newly created set while your reset experts (department manager, broker, merchandiser) move on to the next section.

Resetting a Section

Resetting a section to change the product mix does not simply involve moving products around. Resets require a thorough evaluation of your SKUs and usually some tough choices about what items stay and grow—and what items need to be dropped to help “fix the mix.” Consider the following as you plan to change a section and determine what you’d like to offer your consumers:

Brand Choice

In many departments, a lot of shelf space will be devoted to “A lines.” These are usually proven sellers—brands popular with consumers—and are manufactured by established vendors. Typically, retailers can move a lot of volume with A-line products. Muir Glen tomato products are a prime example of an A-line brand.

Current merchandising research shows that when it comes to brands, too many choices can hurt sales and confuse consumers. It is important to consider brands and product mix together. For example, you don’t want a lot of brands of similar products when one A-line brand will suffice; a B-line brand could offer consumers another choice in the category, such as salt-free.

Product Size

Ideally, you want to stock products that sell well in both small and large sizes, but this will depend on your consumers and what the market demands. Often, it is wise to limit your variety or number of brands in favor of going with more sizes. You can also move more volume if you offer sizes that your co-op’s typical shopper wants. For example, a co-op that caters to a lot of families should stock larger sizes; stores with many single-individual households should go for smaller sizes.

Product size can also affect your price image. If a large package looks really expensive, that’s something to consider, or how much a small one costs in relationship to a larger size and more volume. It is critical to look at volume. For example, if a large bottle of salad dressing is priced high and looks expensive compared to the competition, you might want to carry a consistent size across product lines to be more competitive. Additionally, sometimes large packages that don’t do well on the ordinary shelf will sell very well at a sale price in a special display.

Product Mix

Your product mix is dependent on what shoppers want. Using the technical information available to you will help you determine what kind of product mix will work for your store. Additionally, think about your overall marketing strategy. Do you want your store to be considered the first place to go for fresh food? The products you carry will be determined by that vision.

Retail product mix is very fluid. It is constantly affected by trends, competition, and the economy and can be different from marketplace to marketplace. Your product mix amplifies your co-op’s competitive edge. It is important to use all the tools available to offer the right products that maximize sales.

New Items

A reset is the perfect opportunity to introduce new items. New items further freshen the set, adding more excitement. Evaluating SPINS data, reviewing distributor reports, and talking with broker reps are good ways to learn about new items. Space is usually limited, so the addition of new items will need to be balanced by the discontinuation of slow sellers.

Discontinuing Product

Removing slow sellers from your shelf sets is an important part of every reset. A few customers may be disappointed when you discontinue (“disco”) a product, but that disappointment can be curbed by the introduction of new items and the offer to special-order discontinued products. Items that need to be discontinued should be identified well in advance of the reset. You can usually identify these items from your POS and SPINS reports. This will give you time to mark down the items, communicate the markdown to staff and shoppers, and sell the items before your project begins. Look at where 80 percent of your sales are in each department or category and start cutting below that, keeping in mind that unique, local, and niche items should pepper your section.

Growing Top Sellers

The reset is an opportunity to give your top sellers more breathing room. Often, an additional facing of a top seller will result in better movement for the item. You want to allocate shelf space accordingly.

Pack-Out

Pack-out means being able to place an entire caseload of a specific product on the shelf at one time. Consider whether items will pack out on the shelf given their current number of facings. Resets are an opportunity to set your product sections for pack-out, thus avoiding unnecessary back stock and the inventory headaches that back stock can create. Planning for proper pack-out is important to your overall profitability: when stock does not fit on the shelf and must be returned to back-stock shelves, you’ll need extra labor to transport and physically handle it. This labor reduces the margin on the product.



Pricing

Price represents the monetary expense a consumer must pay to do business with you. Price sensitivity varies among consumers, and the challenge to retailers is to be perceived as responsive to that sensitivity. What to charge consumers is not merely about covering cost of goods; it is a total framework for creating a desired price image for your store.

The retailer's price format has a great deal to do with consumers' perceptions of store prices. It is an important factor in why people buy, but not the only one. The natural food consumer is often asked to pay more for high quality, and the goods, services, and store atmosphere contribute to whether people feel they are getting value for their money. Consumers are more likely to develop a favorable price image when retailers are savvy about influencing that image through systematic pricing and promotion strategies.

The income of your shoppers and the economy also affect demand for products, and price image is critical when income declines. As income changes, so do the shopping habits and purchasing patterns of consumers. When income decreases, people buy more commodities; when it rises, convenience is often substituted for staple items. Sometimes this trend can be counterintuitive, as when people trade down from restaurant meals to buy cheaper prepared foods at grocery stores.

From an operational standpoint, price point is also key. The right product at the wrong price will not sell or bring in available margin. Store location, brand, and competitors also affect price perception. Understanding the following pricing methods and strategies can impact your reputation in the marketplace and help you cultivate a perception of value.

Pricing Methods

There are two common methods of pricing: markup and margin. A markup is a percentage added to your cost of goods. For example, if an item costs \$1.25, and you add a 30 percent markup to the original cost, the selling price will be \$1.63 ($\$1.25 \times 30\% + \$1.25 = \1.63).

Margin is the percentage of profit included in your selling price. To calculate a shelf price by the margin method, subtract the desired margin from 100 percent. Then divide the product cost by that number to arrive at the shelf price. For example, to price an item at a 35 percent margin, subtract 35 percent from 100 percent to get 65 percent (0.65). Dividing the product cost (\$1.25) by 0.65 results in a shelf price of \$1.92 before rounding. The grocery industry uses the margin pricing method because it shows gross profit dollars as a percentage of sales and keeps us focused on the goal instead of the tool.

In the grocery industry, most prices are rounded. For example, if the calculated price ends in a 0, 1, 2, 3, or 4, round down to 9. If it ends in a 5, 6, 7, or 8, round up to 9. Check the rounding policies of other stores in your area. Sometimes a penny up or down can be perceived by the consumer as a higher or lower price.

When an item is rung up at the register, the selling price consists of two parts: cost of goods and gross profit. Cost of goods is the price you paid the warehouse or vendor for the product. Vendor discounts and shipping and handling charges can lower or raise wholesale unit prices.

Gross profit is the dollar value of your gross profit margin. It is equal to the price a customer pays for a product, less the cost of goods. For example, if a customer buys a product for \$1.25, and the product cost the store \$1.00, then the gross margin is \$0.25. The gross margin can be expressed as a percentage of the selling price. Using the same example: $\$1.25$ (selling price) \div $\$0.25$ (gross margin dollars) = 20% (gross margin percent).

The degree to which you successfully buy, price, market, and sell the products on your shelves will determine the success and longevity of your store. For more information about pricing, see Appendix B: “Pricing Cheat Sheet.”

Consumer Price Perceptions

The average U.S. household purchases more than two thousand unique items each year. With so many items, so many retailers to choose from, and so many different pricing strategies at work, how could the shopper really be price aware?

The truth is that most shoppers probably don't have a strong sense of what the items they purchase cost or ought to cost. *Progressive Grocer* magazine has been conducting exit interviews of shoppers for years, with results that are consistent over time and may be startling to some. The magazine found that most consumers cannot guess within 10 percent the price of the items they just purchased. In one study, Florida International University professor Peter R. Dickson and University of Florida professor Alan G. Sawyer had researchers with clipboards stand in supermarket aisles pretending to be stockers. When a nearby shopper would put an item in a cart, the “stocker” would ask him or her the price of the item. Fewer than half of those questioned could provide an accurate answer. Most underestimated or were off by at least 15 percent, and more than 20 percent didn't even venture a guess. They had no idea whatsoever of the price of the item they'd just decided to purchase.

Numerous studies indicate that at most 20 percent of shoppers are hard-core price shoppers. That so few shoppers have an accurate understanding of price doesn't mean that price is unimportant—only that shoppers are heavily dependent on retailers to tell them when they're getting a good price.

Price is most influential in a shopper's decision to purchase when:

- The dollar value of the item is high.
- The item (such as milk) or category (such as bread) has a high purchase frequency. In other words, the shopper buys the item or something in the category regularly throughout the year and comes in frequent contact with the price point.
- The item or category is ubiquitous. In other words, the item has placement in many or most retail channels and has a high household penetration—for example, bananas.

In designing your competitor surveys (see below), you'll want to give special emphasis to categories and items for which shoppers have price awareness.

Pricing Strategies

Many food co-ops focus on delivering value to shoppers and members—both everyday value and enhanced value through promotions—through more competitive pricing. Pricing strategies can give you different ways to appeal to your customers' need for value. The following are common approaches to pricing:

- Everyday low pricing (EDLP) is a strategy to apply lower margins to specific products or categories based on the values of the co-op, price image, and affordability of basic goods.
- Promotion prices are for high-value or high-visibility items that enhance a favorable price image.
- Known-value prices are for staples (milk, bread) or for high-visibility products with strong price sensitivity.
- Lower-cost alternatives are those products that cost less than premium products.
- Advertised specials are also for high-value or high-visibility items that are advertised in-house or to the general public.
- Member-only specials are sales or discounts specifically geared to enhance co-op ownership benefits.
- Case discounts offer lower per-unit prices in exchange for higher inventory turns on products, with no need for individual pricing or stocking. These discounts offer the value of increased efficiency to the consumer.

Taking these approaches into consideration, retailers in different markets use three basic strategies to optimize sales, profits, and image:

- **High/Low Pricing:** Using high everyday pricing with deep promotional discounts to encourage pantry loading or stocking up with promotional items
- **EDLP:** Offering the best price in the market every day in lieu of periodic promotions
- **Hybrid Approach:** Using EDLP pricing on certain items and promotions on others—all designed to position the store competitively against the different players in the market. (Co-op retailers tend to favor this approach.)

Conducting and Using Price Comparisons

Among the first steps in creating a competitive pricing strategy is to hone your understanding of the local competitive environment in which your co-op operates. Conducting periodic competitor surveys is a best practice, and the data and insights gathered will help you strategically manage your pricing and price image.

Before deciding which potential competitors to survey, consider who your shoppers are, where they are shopping other than the co-op (fewer than 30 percent of consumers shop at just one store), and what they might be buying there. Shopper or member survey data can help you narrow the field to just a few competitors in your trade area; make them the focus of your surveys.

Be careful not to limit yourself to only those businesses that have a comparable set of goods and services, such as other full-line natural products retailers. Mass merchants, conventional supermarkets, pharmacies, health food stores, boutiques, specialty/niche retailers, and even bakeries and cafés may represent significant competitors for your co-op, with each impacting a different category or section of the store. If in doubt, ask your shoppers where else they like to shop, why they like to shop there, and what they usually buy there. The other retail outlets your shoppers frequent will impact their sense of how competitive the co-op's prices are.

When and How Often to Survey

Many retailers survey their competitors *at least* twice each year, with many conducting quarterly surveys. To learn what the competition has to offer and about any changes in the market, some retailers survey monthly or even weekly. Highly perishable and seasonal departments (especially produce) might require surveys once every few weeks. In addition to regular price surveys, some retailers respond to shopper feedback: they price-shop competitors whenever shoppers say they can find something cheaper elsewhere and then report their findings to shoppers. Following up with an individual shopper helps him or her see that you're committed to offering competitive pricing and supports a favorable price image.

Picking the right time to survey a competitor can be tricky. Few competitors will welcome you with open arms if you show up with clipboard in hand. For this reason, time your survey to coincide with a busy sales period (the dinner hour, lunch rush, or Saturday). This approach will help you blend in with other shoppers and give you ample opportunity to observe how the other store implements its strategy, interacts with customers, and tries to leverage its products and services to its advantage. If your competitor has a regular promotional cycle (weekly or other), consider alternating surveys to collect pricing data at its best (at the beginning of a promotion) and at its worst (near the end).

How to Conduct Your Survey

The first time you survey a competitor, be as broad as possible. Try to get a good grasp on the categories, product offerings, and services that overlap with your co-op's. This information will help you understand where shoppers might see the competitor as a substitute for the co-op and can help you identify shortcomings and opportunities in your offerings. You'll want to capture detailed information on as many specific products as you can on the first visit.

In subsequent trips, focus more specifically on items or categories with high elasticity of consumer demand—for example, those with a high unit price, high purchase frequency, or high household penetration. In choosing items that are popular and widely available, you'll be focusing on items for which shoppers' pricing knowledge is most accurate. You might create a "market basket" of items that you consistently compare at all competitors. This list will include items the co-op has chosen either for certain criteria or because it can and will compete on them.

Walking in with a clipboard and writing down prices is likely to get the attention of your competitor's staff. Though most retailers survey their competition, the practice is usually frowned upon by the retailer being surveyed. Some competitors will be attentive and solicitous throughout your visit, making it hard for you to discreetly gather the data you need. Savvy price surveyors avoid drawing attention to themselves. Some use cell phones to call in prices to someone else or to their voicemail. Some use digital cameras to snap photos of shelf sets and to collect information on prices and product assortment. But be warned, some stores specifically prohibit taking photos, so you will need to be discreet. Whatever your tactic, do your best to try to blend into the scenery. Avoid disrupting the shopping experience for customers, just as you'd like your competitors to do when they survey your co-op. And, of course, be prepared to get caught in the act and to courteously comply with a competitor's requests.

What to Look for When Conducting Your Survey

Focus on items that are identical or similar to those carried by your co-op and on how your prices compare. Be sure to look at items carried by both stores, as well as items from a different company or brand that are analogous to your co-op's offerings. Even if you think the products aren't the same and don't represent an "apples-to-apples" comparison, your customers might think the items are substitutes for one another. In addition, record prices for conventional items (produce and milk), even if your co-op sells only organic or local versions of the same. Although the items are not analogous, the prices of conventional items *do* impact how shoppers perceive the co-op's prices.

After gathering competitors' data, put it into a price comparison worksheet, along with your prices on the same items. You'll quickly get a snapshot of how your co-op's pricing compares across items, categories, and departments, and across a market basket that you define for comparison purposes.

Beyond Price

Because pricing decisions are made in the context of a larger strategy of winning over and retaining shoppers, surveying prices allows you to gain insight into other aspects of competitors' strategy as well. In addition to looking at the product mix and shelf prices of your competitors, take note of:

- **Strategy:** What can you conclude about a competitor's pricing strategy? Are prices high/low, EDLP, or a hybrid? Do prices end in 9's? Are they consistent across brands or pack sizes? Is the pricing consistent with the overall image and positioning of this retailer in the market? Does the competitor use certain "signpost" items to carry its price image? Does it have stated pricing policies or price guarantees? Can you tell how its pricing strategy has evolved over time?
- **Presentation:** What do the store's layout and shelf placement tell you about the retailer's strategies? Which items are given eye-level placement? Which items have "first-of-entry" placement—the first items you see when you walk into the section? What products are featured and displayed prominently? How are end aisles used? How are promotions communicated? What draws your attention and what does it say about the store's strategy?
- **Retail Offerings:** What unique programs and services does the competitor provide—a staff nutritionist in its wellness department? A sommelier in its wine department? Will it customize a product to a shopper's needs (cheese cut to order, for instance)? Unless you're paying careful attention, you can easily overlook services designed to bolster sales and traffic. Some retailers dedicate space to recycling. In addition to positioning these retailers as concerned global citizens, the service brings shoppers back. Look at a competitor's complete set of offerings, because pricing strategy is part of a larger strategy.
- **Service:** How would you characterize the service you observe in the competitor's store? Did staff greet you and make eye contact? Was the staff contact welcoming and genuine? Are staff members knowledgeable about the products they sell? Put yourself into the mindset of both a core co-op shopper and a brand-new shopper to this store. How well does the competitor meet each shopper's needs? How intuitive is the shopping experience and how helpful is the service when it is not intuitive?

Pay special attention to what competitors promote both in-store and in other media, how they promote it, and how their promotional pricing compares to their everyday shelf pricing. Promotions are designed to reinforce or change consumer behavior—what behavior is this retailer trying to reinforce or change? Gather your competitors' circulars, fliers, and ads and review them to determine an overarching strategy. Gathering this information will help you better understand the interplay between price and promotion for that competitor. (See Appendix C, "Ten Steps for Conducting Competitor Price Comparisons," for more information.)

Evaluating Data

Once you've gathered all your data, put it into an analytical tool that will allow you to compare the co-op to each competitor by department, category, brand, and item. Use a competitor price-comparison worksheet with a "raw data entry" tab for capturing the data from your field survey. Paste this data into a "main data calcs" worksheet. See the "Resources" section of this handbook for information on templates and programs.

Once you have the results, use them to identify price-improvement opportunities—areas where you could improve either price image or gross margin. Be thoughtful about where you make adjustments. Bear in mind price elasticity in terms of what consumers are willing to pay based on market forces, and the factors that influence price awareness among shoppers.

The natural tendency is to look for items or areas where the co-op's prices are higher than the competition's and to lower those prices to either match or beat a competitor's price. This should be done very judiciously and only after careful analysis. Few co-ops can afford to be the low-price leader in a market. Among co-ops, the commitment to paying livable wages and offering benefits to staff, coupled with an emphasis on local and sustainably produced products and member education, typically necessitates some higher prices.

An often-overlooked opportunity lies in finding places where the co-op's prices may be lower than a competitor's. Again, decisions to adjust pricing should be made judiciously, but the co-op may be able to increase some prices to match competitors', which in turn can let the co-op lower other prices that might have a greater impact on overall price image. Remember that if you lower some prices to be more competitive with the market, you'll probably need to raise other prices up to parity with the rest of the market as well.

Over time, through your analysis of member/customer surveys, and with the results of competitor price surveys, you'll choose one retailer (or one retail format) to use as an index for pricing decisions. You can aim to be at price parity with this retailer, or maybe slightly lower.

Building a consistent, comprehensive, and effective price-comparison system is critical to remaining competitive and relevant in the marketplace. Understanding the competition's strategy can also help you exploit its weaknesses and accentuate your own strengths.



Product Placement and Display

Retail space in a food co-op is valuable real estate. Each square foot must be assessed for maximum ability to generate sales and profits. Shelf management is a process for analyzing sales volume and profitability of individual products. It results in decisions about optimal product selections, locations, and space allocations on the sales floor. These terms are defined as follows:

- Product selection is the strategic process of narrowing the number of products available for sale. (See chapter 3, “Product Assortment.”)
- The product location process optimizes product placement—where products are physically located in the store or on the shelf.
- The shelf allocation process determines the amount of shelf space or square footage allotted for display of each product.

Understanding Shelf Space

Grocery stores examine sales by the shelf-inch. Bare shelf space means you’re losing money. Plan shelving so that products can be stacked, leaving just enough space on top for a customer to easily grab the top item. This arrangement not only maximizes shelf space but also looks good.

Keep in mind that you’re selling product, not empty shelf or wall space. Make use of empty spaces in entrances, lobbies, checkouts, and open areas between departments. On the other hand, an enjoyable shopping experience requires enough space to navigate comfortably through the aisles, so don’t over-merchandise your store. Leave enough space for two grocery carts to pass each other in the aisle.

Product Placement

Is it really that hard to decide where a can of garbanzo beans goes on a shelf? Believe it or not, locating products on shelves is a strategic process. In choosing a location, the retailer tries to provide the best answer to the question: “Where will the customer most easily find the product and buy it?” Here are some rules for product placement:

- Group similar products in identifiable, vertical sections.
- Place complementary product categories in the same vicinity. For example, place nondairy, shelf-stable beverages, cereal, and juice in the same aisle or nearby. Likewise, stock hot beverages such as packaged and bulk coffee, coffee substitutes, and teas next to each other.
- Cross-merchandise items that are used together. For example, bulk coffee and tea customers use coffee filters and tea strainers. Cross-merchandising these products reminds customers of necessary, related items to buy.
- Make high-demand items easy to find and give them adequate facings to minimize out-of-stocks. Because of high turnover, products such as milk, chips, and cereal require plenty of shelf space.

Physical requirements and characteristics frequently limit and define product location. Bulky, light-weight products such as potato chips, boxed cereals, and toilet paper require a lot of display space. Refrigerated or frozen products must be stocked in refrigerated cases or freezers, of course. A heavy product placed on shelving near the floor makes retrieval easy for customers by eliminating uncomfortable, and dangerous, over-the-head lifting. Bulk products such as flours, grains, and beans usually dispense from gravity or scoop bins. Locating the bins together contains spillage, focuses stocking, and helps customers locate products.

Product Groups

Stock similar products near each other if they are related, have common uses, or are cross-merchandised. Examples include:

Related Foods

Dry cereals are grouped by type (raisin bran or flakes) or brand (Barbara’s). Cooked cereals and breakfast snacks should be stocked nearby. Soy products, such as tofu and tamari, should be stocked together. Hot beverages such as packaged and bulk coffee, coffee substitutes, and teas should also be together.

Common Mealtime Uses

Aisles or sections within aisles often contain products with similar mealtime uses. Groupings of pasta and spaghetti sauce, or tortilla chips, salsa, and bean dip, can answer the question: “What’s for dinner that’s quick and wholesome?”

Cross-Merchandising

Cross-merchandising occurs when products from different departments that are used together are displayed together. For instance, berries and cream may be displayed together in the produce department. Cross-merchandising helps remind customers of needed items and boosts sales by offering serving suggestions.

High-Demand Items

High-demand items are those that customers come specifically to buy and often stock up on. These items include milk, bananas, bread, snacks, coffee, and toilet paper. These products require plenty of shelf space because of high turnover and high weekly sales. Strategically locating these products will give customers easy access to them and expose customers to other products. Out-of-stocks on these products can mean lost sales and probably lost customers, who must go elsewhere to find necessities.

Ease of Theft

Some products are easy to shoplift. These items are expensive and small, fitting easily into a pocket. Examples are vitamins and herbal remedies. Surveillance is often heavy in areas that hold these items and might include hidden cameras and security employees. Locating these products near the checkout or customer service station permits employees to keep watch as well.

Basic Shelf Merchandising Tips

Here are some quick tips for basic shelf merchandising:

Big on Bottom, Tiny on Top

Where does one usually stock gallons of apple juice, 28-ounce cans of tomatoes, and big boxes of soy milk? On the bottom shelves. Placing larger items at the bottom of your set makes sense both aesthetically and ergonomically. Save the top shelf for smaller items.



Big on bottom.



Tall to the right.

Tall to the Right

This is a tip from the mainstream grocery world. The conventional wisdom is that taller items are larger and therefore cost more. More than two-thirds of customers are right-handed, and they will most likely grab the higher-priced item. Whatever your motivation, implementing a tall-to-the-right policy in your store will produce a clean, consistent, attractive look.



Two-finger rule.

Shelf-to-Product Spacing

The “two-finger rule”—a two-finger-width space between the top of a product and the bottom of the shelf above it—ensures that customers can safely and easily remove a product from the shelf. Some sets (such as tea) don’t allow for this much room, but most sections can be set effectively by following this general rule.

Color Breaks

Placing similarly colored items side by side creates a confusing blur for the customer. Create a clearer picture and enhance the visibility of each item by separating colors. This process is known as color breaking, and it’s especially useful for customers who are colorblind. (Approximately 10 percent of the population has some form of color blindness.) One strategy is to begin with dark colors and move toward lighter ones, using mid-colors for breaks.



Color breaks.

Facing and Fronting

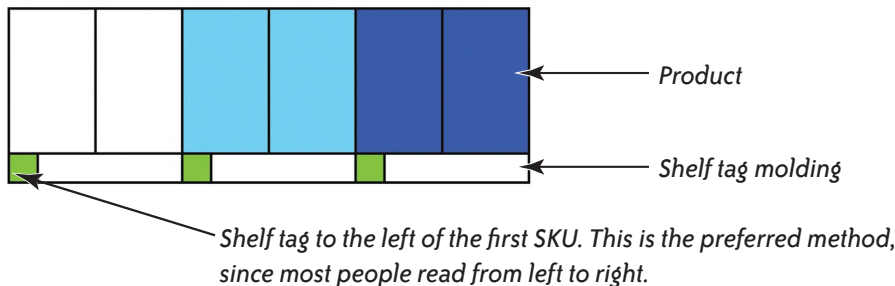
To present a clean look in your aisles and to maximize sales, align products side by side, labels out, at the edges of shelves. This process is called facing and fronting, and it helps with operations as well as appearance. Identical items should also be stocked one behind the other, with labels facing forward, making it quick and easy to pull the next product forward once the first one has been shopped.

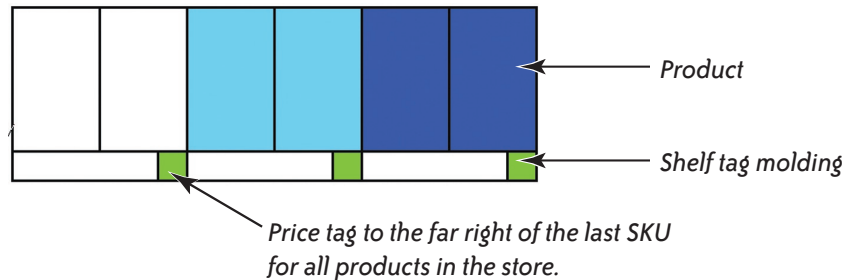
Holes on the shelf can diminish the value of your shelf space. To keep your store faced, implement a “fresh at four” policy—at 4:00 p.m. each day, employees should stop what they are doing and face and front the entire store, readying it for the after-work shopping rush.

Organizing Price/Shelf Tags

Consistent placement of price/shelf tags will help create a well-organized section or display and assist with accurate facing and fronting. Since most people read from left to right, place price tags either to the left of the first (left-hand) facing of the product or to the right of the last (right-hand) facing of the product.

Example: Price Tag at Left of Facing



Example: Price Tag at Right of Facing

If possible, shelf tags should include:

- Universal product code (UPC) and bar code
- Order number
- Case pack
- SRP (price)
- Date brought in
- Date price updated
- Distributor ID code

Case pack information will assist in ordering. If an item comes from the distributor in a case of six, for example, you'll need that information when your shelf is empty and you want to restock it fully. Furthermore, case pack information is helpful when making reorders, so you can fill the shelf adequately without a lot of overstock.

Merchandising by Subcategory

Customers shop in 3- to 4-foot sections; that's why shelving typically comes in these lengths. The set will look better and be easier for customers to shop if you arrange products on the shelf by subcategory, then brand. Bottled juice, for example, may be block-merchandised by brand (such as Knudsen), but within that brand block, each subcategory (organic, veggie, etc.) can be merchandised together.



Knudsen "Pure" subcategory

Knudsen "Organic" subcategory

Knudsen "Blends" subcategory

Knudsen "Veggie" subcategory

Knudsen "Vita Juice" subcategory

Merchandising by subcategory.

Shelf Allocation

Each product on the shelf receives space according to sales volume or movement. Shelf allocation for most items is the standard “one case plus three” individual items (“1 + 3”). This system permits a case of product to sell before the next delivery and leaves three items to face the display until restocking. The system also allows stock to remain at the warehouse until needed, reducing inventory and efficiently turning product. Stocking full cases on the shelf also relieves the pressure to back-stock product.

For many items, the 1 + 3 system works well. But there are some exceptions. For high-demand items, for example, 1 + 3 is not sufficient shelf allocation. These products require more shelf space or back-room warehousing between deliveries.

Are you allocating enough space to key categories? If your sales per square foot are underperforming, it might be time to address this question. (To calculate sales per square foot, divide total net sales by square feet of selling space.)

Take a look at POS sales figures by categories and subcategories. Assess trends to evaluate the space allocated to popular categories in your store. Do you have continual out-of-stocks? Are you forced to limit SKUs and facings due to limited space? Can you increase sales by increasing space for subcategories with high sales and high percentage increases over last year? Do subcategories that are underperforming in sales and growth have too much space?

Some suppliers sell products individually. Buyers can purchase one unit, ten units, or any amount less than a case. The wholesale unit cost is more, of course, than the case cost. The advantage is the ability to buy in small quantities without buying a full case. If customers demand more of the product, the co-op can increase its purchases.

Tips and Procedures for Stocking Shelf Sets

A shelf set is the standard arrangement of products on the shelf. Shelf sets can consist of a single case or multiple cases; the number is based on supplier movement reports that provide the average product sales by week or by delivery. Here are some quick tips for stocking shelf sets:

Define the Number of Facings

The goal is to create a presence on the shelf that is visible to customers. (Amid thousands of products, one facing stacked one product high will not be visible.) Stocking a full case of a product, with at least two facings, will reduce the time and effort needed to stock the shelves. Sometimes the number of facings will be determined by the case size of an item. Sea salt, for example, may require a minimum of three facings to fit an entire case.

Match Products

It can be a challenge for shoppers to distinguish different product flavors (such as salt and no salt, or hot and mild) with similar packaging in the same brand. So use visual breaks to create interesting, easily restocked sections. Use differences in label color and package type or shape to arrange visually attractive, identifiable sets. Restocking will be more efficient, too, if different flavors can be easily identified.

Locate Products Strategically

Merchandisers, buyers, and department managers intentionally place products to:

- Draw attention to slow movers
- Break up similar colors
- Place particular products at eye level
- Group by common characteristics
- Group by physical need (refrigerated products in coolers and frozen products in freezers)
- Locate with safety in mind (heavy products on lower shelves and not stocked two-high on top shelves)

If it makes sense, arrange items by type, name, or flavor to assist consumers in locating products. (This approach will also help with stocking.)

Striping, or ribboning, can have a dramatic effect on the eye, helping consumers read product lines or find products. Striping involves displaying a brand in blocks on the shelf, either vertically or horizontally, to take advantage of size and color for visual impact. It is often used for sale end caps rather than typical everyday shelf display because maintaining it requires vigilance.

Narrow vertical striping on more than one 4-foot shelf in sets is not desirable; a set will function better if items are grouped in a block within a set. Similarly, extending items horizontally across two sections works only in certain situations. Even in a category such as chips, it's better to create 4-foot sections of various types of chips and snacks. For the most part, shoppers can visually take in vertical blocks of 3 or 4 feet as they stand in front of a section.

Vertical striping can be an effective way to merchandise in certain instances. It can work well on end caps with only two or three different items. It also works well with a theme (cereal in the center, vanilla soy milk on one side of the cereal, original soy milk on the other side, for example). Make sure signs are properly planned and placed (all flavors listed on one sign rather than multiple signs for multiple flavors, for example).

Maintaining Your Sets

Good set maintenance is crucial. Scan sections regularly for missing tags, out-of-stocks, and pricing updates. Make sure your retail prices reflect your current cost and margin goals.

Give the responsibility for modifying sets to one person; sections may not be changed without the authorization of this gatekeeper. If stockers constantly move tags or change the number of facings or locations of products, your sets will lose what you have worked hard to establish—efficiency, organization, and consistent sales.

Set maintenance should be part of your employee training. Setting, ordering, restocking, maintaining tags, pulling movement reports, dropping slow sellers, and cutting in new items are all crucial set-maintenance tasks. In most instances, one buyer should act as the gatekeeper and do most of these tasks. But make sure that anyone assisting with the work understands set maintenance.

Don't get stuck in a merchandising rut. Check out the competition and make note of successful merchandising elsewhere—at conventional and independent retailers, as well as at other co-ops. Bring ideas back to your store, discuss possible changes, and experiment with them. Merchandising is an ever-changing and ongoing art, and the better you execute it, the more you will be rewarded with increased sales.



Before



After

An orderly set is easier to shop and easier to stock.

End Cap and Display Merchandising

In most retail establishments, shelving units called end caps sit at the ends of aisles. While end caps are aesthetically pleasing, their significance goes way beyond that. End cap displays are valuable retail real estate—they create an opportunity to visually communicate value to customers. Effectively merchandised end caps will capture your customers' attention, highlight discounted prices or seasonal items they might otherwise overlook, and encourage them to try something new. End caps can result in increased sales for your department but must be well managed to do so.

End cap displays let you promote products that are new, trendy, or in demand. They can get shoppers excited about your store and products. An effective end cap will be eye-catching and will contain special promotional materials or signage. Customers pass end caps much more often than they do items stocked in the middle of a grocery aisle, so they are more apt to notice what's being promoted there. End caps near the cash registers encourage impulse sales.

Planning powerful and attractive end caps and managing them effectively involves attention to detail, including choosing the right products to promote and keeping displays constantly stocked. A fully stocked end cap always outsells one that is only partially full. Pay attention to all your end caps, not just the highly visible ones, and invest resources into merchandising them. With the right practices and merchandising techniques, end caps can represent high-volume sales. See Appendix D for a sample end cap planner.

Creating a Well-Executed End Cap

End cap changeover is best approached systematically. Start with a written plan in hand, using a template that represents your end cap configuration in a format that you can easily share with stockers. Use the planner as a starting point, numbering your end caps and noting where you will locate upcoming sales. Take a digital photo at the start of a sale, print it out, and make notes as to how a particular display did for you. Refer to the photo and notes next time you need inspiration. See Appendix D for a sample end cap planner.

When you've determined what product to promote—something seasonal, deeply discounted, or popular—order enough to set up and stock the end cap. Also plan for rotating and restocking products during the duration of the sale. Most end cap promotions are changed weekly or biweekly. Schedule the changeover for new end caps early in the morning or near or after closing to avoid frustration for you and your customers.

Plan themes for your end caps and plug in items that tie into those themes. Because the rotation of sale items is fairly consistent as you move through the promotional periods (with some seasonal changes), the themes repeat. Simple pairings such as the ones listed below can take some of the drudgery out of the changeover.

Sample end cap themes:

- Nondairy beverages/cereal or other breakfast items
- Peanut butter/jam/bread
- Kids: juice/cookies or other child-oriented items
- Simple meals: soup/crackers
- Italian: pasta/sauce/olive oil
- Snacks: chips/salsa or dip mixes
- Nonfood: cleaning products/paper goods
- Seasonal combinations: baking; barbeque and picnic; back to school

The frequency of end cap changeover is related to your store's merchandising plan and your vendors' promotional periods. How can you make sure that end caps look abundant without purchasing excess inventory? Your core customers probably come in frequently and most likely shop your sale display

the first time they see it. The second time around, they may still want to buy or stock up on a good deal. But when customers know the items will probably be on sale for a specified amount of time (two weeks or all month), you may see sales drop off until the last few days, when customers return to take advantage of the promotional price.

One alternative to fully changing a display every two weeks is to refresh the display by rotating items in and out. Of course, if the products in an end cap are selling well, you may choose to leave the display up and refresh it in other ways. For example, you might create a different look by making case stacks or wings.

Lastly, plan for your end cap changeover by letting the display sell down the last few days of the sale period. This will allow you to more easily disassemble your old display to make way for your new end cap. To make the transition less of a chore, carry out the project over the course of a day or two before the new sale begins.

When preparing an end cap, and assuming you plan to leave it up for two weeks, order enough product to fill the display the first week and keep it stocked the following week. If you plan to move some items into case stack displays, keep boxes on hand to build the stacks. Initially order enough to build the display and get you through the next order. When you reorder, consider the following:

- Is the item normally a good seller? Only reorder flavors and varieties that consistently sell well.
- Does the item sell well off the ad?
- Where will the product go when the ad ends or the display changes?
- How much product do you want to carry over if it's a good seller?
- Can you enhance your margin by purchasing additional promotional product (forward buying)?

To make a strong, clearly themed visual impact, display two to four different products on an end cap. Locate heavier and larger items at the bottom of the display or double-stack smaller items at the bottom. To add to the overall impact, repeat an item on multiple shelves. This approach also helps fill up the lower and higher shelves outside of eye level, which is where most people typically focus their attention.

Use multiple facings to ensure that items “read” well to someone glancing at the end cap. If you cram a wide variety of items on a single shelf, just because they're all on sale, with tiny groupings of one or two facings, the items will go unnoticed.

Use color and packaging differences to create clear lines and patterns. You can assemble multiple flavors or varieties of a single brand on one shelf, but try to put up at least two facings of each flavor so that flavors don't get lost as soon as the front item is purchased. Remember that certain flavors sell better than others do and should be more heavily stocked.

Once you are finished, take a digital photo at the start of a sale, print it out, and make notes as to how a particular display did for you. Post the photo for stockers to help maintain the display over the promotional period. You can also refer to the photo and notes next time you need inspiration.

Building an End Cap Display

Clear the current display and restock the products on the regular shelves (or create a side stack elsewhere if you have a lot of leftover product). Build from bottom to top, using one or two new items to reset your shelf heights. Provide enough clearance, so that customers can easily retrieve products from shelves. If you end up with extra space, leave larger gaps at the bottom of your display, where they will be less noticeable. Check the top shelf. You don't want items falling too far or any heavy items to fall.

Before fully stocking the display, set up the front facings for a visual check. Get a second opinion if you've been looking at the display too long; a fresh set of eyes is often helpful. Once you're satisfied with the overall look of your display, stock the shelves.

A half-empty display sells much less than a full one, so keep your end caps well stocked and fronted. A full display will continuously attract new customers and keep sales moving.

Rotate displays to increase turns and margins. Moving a promotion to a different location in the store will make shoppers notice it. If products are marked down even further after rotation, shoppers will see additional value.

Arrange clear, consistent, and appropriate signage to prominently feature sale prices; poor signage causes frustration for customers and will cost you sales. Make certain signage is properly sized; a large display needs a large sign, for example. Use uniformly printed promotional signs for all display items. Give the marketing department a detailed list of all the signs you need well before the change-over.

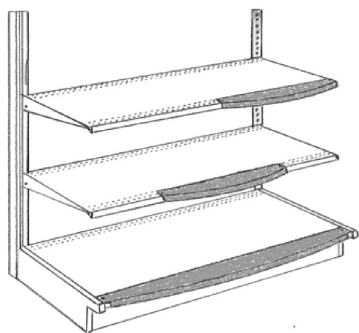
Locate passive sampling domes near your end caps; customers often buy if they like what they taste. You can also use end caps to cross-merchandise items from different departments. Cross-merchandising examples:

- Grocery and produce: olive oil and pasta with tomatoes
- Grocery and deli: crackers and cheese
- Grocery, produce, wellness, and general merchandise: maple syrup, lemons, Master Cleanse book, and bottle shaker



Cross-merchandising.

End Cap Display Options



End cap enhancements.

End cap enhancements include shelf extenders and alternatives for highlighting specialty products within a run. Most come in 2-, 3-, and 4-foot lengths and attach to all standard perforated shelving. The longest length can be a cost-effective way to mimic rounded-front shelving, but it's recommended only for light-duty applications. Put extenders on end caps for an upscale look. Tiered shelving also helps emphasize an end cap display and helps reduce inventory due to shallow shelves leading up from the base. Tiered shelving is good for wellness and other small items.

Other display options include:



Side stack display.

Side stack displays are built alongside end caps, fixtures, or walls. Use crates or cases of product to build these displays.

Island displays are open and accessible to the customer on all sides.



Island display.



Standard shelving end cap.

Standard shelving end caps are good in high-traffic areas, for meal solutions, and for high-sales items. Change the displays biweekly.

Ground-up displays are best utilized for fast movers. As the display gets smaller, move products to an end cap.



Ground up display.



Spillover display.

Crates, bushel baskets, or cases of product can be tied in with an end cap or ground-up display. Tie-in items should relate to the main item, and all items should complement each other. If a low-margin item is the main item, tie it in with a higher-margin item.

Try This

End Cap Tips

Optimize Your Display

- Too many items can cause your display to lose its effectiveness.
- Ideally include one or two main items and one tie-in item.

Case Cutting

- Use a fresh blade.
- Make cuts straight and uniform.
- Angle-cut or tray-cut boxes to showcase product.

Dummies

- Arrange dummies at the back of your displays to make them appear fuller.
- Use dummies to help inventory control.
- Use an uncut case to create a dummy at the bottom of a display.
- Don't allow shoppers to see that a case is empty.

Maintenance

- Keep displays looking great throughout the promotion, not just at the beginning.
- Make sure staff understand the importance of maintaining displays.



Merchandising and Display Concepts for Prepared Food Departments

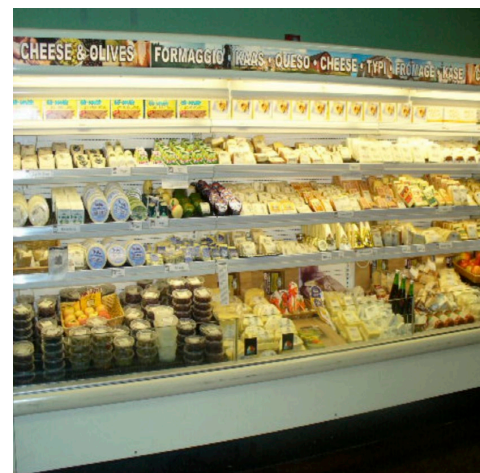
Perishable departments in grocery stores have gone through a tremendous change in recent years, responding to consumer desire for fresh and healthy convenience-oriented foods. In most delis, prepared foods are found in a number of formats, including ready-to-eat, ready-to-cook, and grab-and-go.

Merchandising your deli case is one of the most important aspects of your in-store merchandising program. Customers shop with their eyes, and how your case and the food in it look to them is very important.

Self-Service Options

Cases of self-serve, prepared food are easy to set and maintain and provide high visibility and convenience for customers. Such cases offer good opportunities for cross-merchandising and themed promotional displays. Self-service options could include the following:

- Grab-and-go cases (dips/spreads, sandwiches, compound salads, meal solutions)
- Soup station
- Salad/food bar station
- Hot food station, single price point
- Rotisserie chicken
- Baked goods and pastries
- Breads
- Cheeses
- Olive bar
- Hot coffee station
- Sliced meats and cheeses
- Sushi
- Specialty items (smoked salmon, pâtés, fine crackers, fine chocolates)
- Meat and seafood



Cheese case.

In your self-service cases, eye-level to waist-level shelves are best. High-margin-return items and highly perishable items should be easily seen and reached. Place entrées on lower shelves, where consumers can easily see them from above. Less perishable items should fill the less-desirable merchandising slots, such as the top shelf. Items on a 100 percent buyback from the vendor should also occupy less-desirable slots.



Grab-and-go case.

Assisted-Service Options

Prepared food service areas allow for greater interaction between staff and customers. Done well they can build traffic and sales. Especially with closed-front glass service cases, retailers can display products in creative and appetizing ways. The deli can serve as a powerful focal point to merchandise the whole store.

The following are examples of assisted-service options in deli operations:

- Deli and baked goods display cases
- Full-service hot foods selection, single or mixed price point
- Sandwich/wrap/burrito made to order
- Made-to-order salads
- Meat sliced to order
- Pizza
- Made-to-order juices and smoothies
- Made-to-order coffee drinks
- Made-to-order sushi
- Meat and seafood
- Oven-ready meats
- Drive-through window
- Catering desk or kiosk
- Fast-food-style order counter with menu



Deli service case.

Visual Stimulus in Deli Merchandising

Setting a case takes some practice and patience. You must consider the type of display case as well as the product selection. Your mission is to help people decide what to buy through presentation.

Displays have more impact when like things are grouped together. Use vertical merchandising, with all pasta salads together, for example, or all sandwiches together. You can also group similarly packaged products, such as round deli containers or square deli containers.

Items that complement each other or appeal to the same shopper are best merchandised close to one another. Examples include olives near specialty cheeses, presliced deli meats next to presliced deli cheeses, desserts by the piece next to meal items, or entrées surrounded by side dishes.

Remember that large, colorful, and abundant-looking displays sell more food. For example, sandwiches that display their ingredients sell better than those with ingredients hidden under the bread. Small quantities of food are best set out as samples to complement a full display in the case. Food toward the front of the deli display case should be lower than food toward the rear of the case, to create the visual effect of food cascading toward the customer. Use colors (of food or packaging) to create visual breaks in the display.

Signage and Packaging

Display case signage needs to clearly stimulate interest. The label “White Bean Salad” is less interesting than “Tuscan Bean Salad with Artichokes and Olives”; “Goat Brick” is less appealing than “Door County Farms Brick-style Goat Cheese.” Use signs to describe the taste of foods and recommend how to use ingredients or what to pair them with. Clearly state the price by the pound or unit. Pricey items are sometimes better sold as a unit to create a better value image. Service case signage should not be so large as to hide product. Different colored signs can be used to highlight seasonal or sale items.

Display case packaging needs to be appropriately sized. Packages that are too small destroy visual presentation. Packages that are too large diminish the product and cost more. Packages should be sealed with tape for safety. Labels on packages should not hide the food. The cashier should not have to tip any items over to scan them.

To protect customers from accidentally ingesting allergens, and to follow all labeling laws, co-ops must comply with the Food Allergen Labeling and Consumer Protection Act of 2004 (FALCPA). See Appendix E for more information on this law.

Deli Case Merchandising

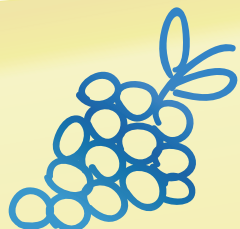
Plates, platters, and other serving equipment can make a big difference to consumer perceptions of freshness, abundance, and cleanliness. Coordinate colors when possible. Use light-colored bowls and platters for dark food items. Use dark-colored bowls and platters for light-colored foods. When items get low, it's okay to double them up on a large platter with similar or related product to create a more impactful display.

Items that can be picked up by the piece, such as chicken wings, eggrolls, and cabbage rolls, should be merchandised on platters with no sides. Entrées should be merchandised on large platters, flanked by side dishes. You might put potato salad in front of a rib platter, for example, or garlic green beans behind a lasagna platter.

Items across the front row of the case should be in low-sided containers. Do not use tall bowls or pedestals in the front row. The center row of the case should consist primarily of entrées or center-of-the-plate items on large, rimmed platters, set slightly higher than the low front row. Meat or seafood salads should be in the back row of the case. This placement prevents them from falling into vegetable salads. Sloppy or heavy-selling vegetable salads should also be kept to the rear of the case. The rear of the case is also the place for tall-sided bowls or platters on risers. This placement will create the illusion of product cascading forward toward the customer.

Garnish the rims of platters with chopped parsley, diced peppers, and so on. Do not cover the rims with too much lettuce or kale. The rims should create a frame around the food. Use lemon leaves or ruskus to conceal large gaps around dishes, but do not fill every single gap. Use the greens to hide riser edges and the sides of bowls. (See Appendix F, “Deli Evaluation and Checklist.”)





Merchandising and Display Concepts for Produce

Your store's entire image will rest largely on the impression of freshness and quality in the produce department. This is also the department where customers see the co-op's values most visibly in action. Food co-op customers are particularly concerned about the source, quality, nutrition, freshness, and price of produce and have high expectations for product value. Therefore, produce departments in food co-ops have a tremendous opportunity to be high-impact destination points for consumers. These departments can strongly differentiate co-ops from the competition through an authentic commitment to organic, local, and sustainable products that emphasize freshness and nutrition.

Your co-op's mission statement can provide a great deal of direction in your overall product selection in the produce department. Many natural food co-ops promote local produce. With the growth of the "locavore" movement and "100-mile diets," consumers are increasingly seeking out locally grown and organic produce.

Since growing food is not part of most customers' daily lives, especially in the city, the co-op can seize opportunities to educate customers and their children about who grows food and where, and how food is produced and processed. Local growers can teach your customers about growing methods, farm operations, and personal philosophies and thereby bring farming to life for customers.

The visibility and impact of fresh and local foods is maximized through effective produce merchandising. Nowhere else in the store is shelf appeal as critical. No other department is so challenged by the retail and operational interplay of consumer education, sales, and perishability.



Entrance display.

Produce Merchandising Basics

Quality produce sells quickly because it is dazzling with its vitality and is recognized as a good value. Full displays sell more produce. Ideally you should create a wall of food, creating the perception of abundance. Disguise fixtures and equipment by building overlapping displays.

Shoppers respond to color changes. Red and yellow are the most noticeable colors. Use deep purple

eggplants and red peppers to break up displays of dark greens and oranges. Color contrast will draw shoppers' attention. Also use texture and size to differentiate an item from its neighbors.

Group items to help shoppers find what they need. Major groups might include salad vegetables, cooking vegetables, storage vegetables, staple fruits, seasonal fruits, and specialty items. Subgroups might include berries, citrus, apples, and melons.

Organic produce should not comingle with conventional produce. Follow USDA guidelines for produce to protect the integrity of organic product. Additionally, consult National Organic Program (NOP) regulations at www.ams.usda.gov/nop. It's important to regularly review NOP regulations for updates and clarification.

Make sure all produce is well trimmed and clean, and stocked with its best face forward. Keep your fixtures and display equipment clean. Intersperse the top-selling ten to twenty fruits and top-selling ten to twenty vegetables among all produce items in your aisle. This placement will encourage customers to shop the entire aisle.

Use your internal product movement information to allocate space. Displays ought to represent the sales you are expecting, not the amount of back stock you have on hand. A good display will be stable enough to hold the volume you need without product falling or spilling as it is shopped by customers. Ideally, the size of your display will attract good sales, and rotation can happen as people shop. Promotional displays need to be rotated each day as well.

Building Displays

Your produce displays will be unique to your store and set you apart from your competitors. Displays should always look fresh and well tended and should render an appearance of quality. Produce display requires a great deal of basic creativity and a sense of beauty. Of course, you will need to adapt displays to your store's size, volume, cases, and hardware.

Always promote top-quality, mid-season produce. Produce at the beginning and end of its season is sometimes high priced and not always as tree-ripened as your customers have come to expect. Inspect early- and late-season produce carefully, especially if you are promoting it and might purchase a sizable inventory.

Remember that people are creatures of habit. Your regular shoppers will expect certain items to be in the same general vicinity each time they shop. Do not make major changes frequently or you will confuse and frustrate customers. However, major resets will be necessary to build excitement for seasonal items. Perform resets in a timely manner to minimize disruption for shoppers.

Displays need to be functional as well as beautiful and eye-catching. Avoid creating steep hills from which product might topple as it is shopped. Design the layout with the customer in mind. Shoppers must be able to easily reach all items and shop all displays with clear pathways. All displays need to be rotated each day.



Produce wall display.

When new product arrives, display it with appropriate items within its group. Get attention for a new item by placing it alongside a top-selling item. Any item placed next to broccoli or carrots will be noticed.

Create a case stack of produce items that sell very well, so your turns will be fast and your labor low. Mass displays create excitement and a feeling of bounty, but you'll want to give the appearance of abundance without taking the risk of having too much perishable inventory. By creating displays that turn quickly and are easy to maintain for freshness and appeal, you can maximize the space you have allocated for produce promotion.



Produce case stack.

Dummying Up a Produce Display

Dummying up a display creates an appearance of abundance. Place product on inverted crates or fixtures to give the illusion of a deeply stocked display. Here are more tips on creating an appearance of abundance:

- One or two layers of product are not enough to maintain the perception of fullness or selection. Add enough layers to create a look of abundance without product getting bruised or falling out of displays.
- A display that is spread out is better than one squeezed into a small space.
- Consider how much to stock based on freshness and quality and how much you can sell. Tomatoes and berries will require several turns to remain fresh. Winter squash stays fresh longer.
- Cull and rotate displays frequently to keep up the image of fullness. Rotate product with each stocking trip.
- Create a dummy display base with fresh-looking materials that are tight, level, and facing the same direction—no old or damaged boxes.



Look of abundance in the produce department.

Signage

Any display is incomplete until the sign is in place. Signs are your most efficient way of communicating with your customers. Your staff cannot promote items as well as your signs can. Be sure to include the product name and description, whether it is organic or not, and its price. Origin is important, particularly if the product is local or from another country. (See Appendix G for country-of-origin labeling requirements.)

Promote local produce especially with displays, photos, and signage. Promotions and specials deserve particularly attractive signs. Use extra-large signs and different colors for promotions.

Produce Sampling Program

Most of us remember produce by what it tastes like, not by what we pay for it. Price is a consideration, but it can easily be minimized if you can wow shoppers with flavor. Consider providing a sample table or stand, preferably on wheels. Sampling is inviting. It is a powerful tool that leaves shoppers feeling welcome and special. Set yourself apart from others and offer produce samples all day, every day.

Produce staff should carry clean sampling knives for on-the-spot sampling. The best sampling program includes an engaging, well-educated staff, great products, and regular sampling of a great variety of items. Sample only great-tasting, well-stocked items. Also be sure to sample new, unusual, and expensive items.

You are not throwing your margin away by sampling. By sampling the ripest, sweetest, and most tempting fruits and vegetables, you will sell more product. Remember that distributors often provide free products or discounts for sampling.

Cross-Merchandising

To be successful, cross-merchandising involves planning and coordination. A monthly planning session with department heads to develop storewide merchandising has great potential to increase sales. Include promotional signage in your planning efforts.

Consider cross-merchandising fresh juices, tubs of caramel for apples, cheeses, shortcakes, fresh salsa or guacamole, bagged peanuts, other nuts in their shells, dried mushrooms, dried peppers, and dried fruit in the produce department. Some produce departments also sell flowers, seeds, wreaths, and plants.

Pricing Guidelines and Strategies

Your customers' perception of your produce department will be greatly determined by price. To remain competitive, use variable margins—not the same margin for each item. Visiting other area stores to perform regular comparisons and using weekly movement reports will help you choose appropriate price points on your top-twenty fruits and vegetables.

Typically, 60 to 80 percent of your items will be priced at the target margin, while 10 to 20 percent will be priced either below or above the target margin. Those priced below margin are often high-demand or price-sensitive items, suggesting an image of low prices to the consumer. A lower margin might also be applied to a high-priced item to prevent sticker shock. Items chosen for higher margin must still appear to be a value to the customer. (NCGA members can find the Produce Manager Toolbox at http://ncga.coop/produce_manager_toolbox.)

Consumers Want to Buy Local Food

A survey conducted by the University of Wisconsin Center for Co-ops in Madison asked natural food co-ops, traditional groceries, and restaurants about purchasing locally produced food. Respondents defined “local” to mean within a 100-mile radius or within state borders. They found “market value” in local products and ingredients. The survey also revealed:

- People want to support local enterprises and eat fresh and tasty foods.
- Customers appreciate the integrity of locally grown products and like supporting people they know and can talk to.
- Customers come to the store to support local growers.
- Customers like the freshness of local products.
- Local food builds customers’ pride in their area’s bounty.

Buying from Local Farms

Many co-ops buy produce from local farmers. But to do so, a co-op must set guidelines for local growers and give growers clear information on the co-op’s expectations. When expectations are not clear, the co-op can miss opportunities to buy locally, and growers can lose opportunities to sell ripening produce.

Successful partnerships between co-ops and growers occur with good communication. Some co-ops meet with farmers to discuss the store’s specific needs for produce before the growing season. Some co-ops hold an annual meeting with growers to review procedures and questions.

Guidelines for growers might cover the following:

- Notification about the predicted readiness of items
- Conditions for acceptable produce, such as freshness and organic and pesticide-free certification
- Size, type, shape, and cleanliness of delivery boxes and crates
- Payment requirements and terms
- Delivery schedules

Promoting local farmers and farm products can take many forms. For instance, the co-op might display large photos of local farmers above their products, along with descriptions of the farmers, farms, products, and farmers’ food/growing philosophies.

Co-op sign makers should always note when a certain product is local. The co-op can promote local products and farmers with brochures and flyers as well. Co-op newsletters are another excellent place to promote local farmers and products.

Community-Supported Agriculture

In community-supported agriculture (CSA) programs, individual farms deliver an agreed-upon quantity of produce to consumers during the summer selling season. In exchange, consumers make payments to farmers, called shares, before the growing season begins. One share is generally enough to feed a household of four, with partial shares available for smaller households. By purchasing shares in advance, consumers give farmers the capital they need to buy seeds and equipment and to pay labor.

Co-ops often participate in CSAs by serving as distribution sites. They allow CSAs to use backrooms during slow periods. This arrangement usually helps the co-op by bringing CSA participants to the store. They may shop there or become member-owners, especially when the growing season is over.



Merchandising and Display for the Wellness Department

Your store's wellness department, also known as health and body care (HBC) or health and beauty aids (HABA), offers a prime opportunity to connect with customers on an emotional level. Merchandising can help differentiate the department as visually distinct from the rest of the store and can offer shoppers a break from grocery shopping. Successful wellness merchandising shows customers what they want to see in themselves—good health and vitality. Customers perceive this part of the store as an oasis of calm—a place where they can slow down and think about their own personal care and well-being.

Successfully merchandising a wellness department is all about setting a mood. In this area of the store, department design, fixture finishes, and special display features play a part in promoting what the retailer values in wellness. Wellness departments often have soft lighting. Fixtures with a natural feel—made of wood, tile, or colored glass—can accent a holistic approach to wellness and the “glow” of good health. In this department, retailers must balance a sense of healthfulness and discovery with convenience and access to products.

The co-op's approach to service in this department is also vital. Information and education is critical, and retailers are wise to include reference kiosks, signage, and hands-on customer service in the aisles and at service counters. Wellness sales often depend on staff to acquaint customers with product uses and brands. In addition, staff must be able to explain why some products are sold at a premium as compared to mainstream brands. Customers are also highly interested in understanding ingredients and production practices with these products. Having a knowledgeable staff in this department can help build overall loyalty to your store.

Fixtures for Wellness Merchandising

Wellness products, including vitamins, supplements, herbal and homeopathic medicines, and body care products, must be presented to catch the eye, with colorful and attractive displays and shelf sets. Customers will typically want to study and compare products in this department. Some customers are experienced wellness shoppers, while others are new. Well-organized and engaging shelf displays will keep the department's customers browsing. Consider the following:

Number and Depth of Shelves

Because most wellness products are small and light compared to grocery products, shelves are often closer together and shallower. You might have up to eight shelves in a section, with 1 to 2 inches above products so customers can easily grab them. Shelves may be as deep as 17 inches but more frequently are 12 or 15 inches deep. Since most wellness products are small, this depth is sufficient to stock a full case. Some larger items, such as protein powders, require either deeper shelving or more facings to allow for sufficient stock.

Shelf Height

Wellness products are usually displayed lower than grocery products to improve ease of access and shopability. Low gondolas can improve sight lines, which not only makes the department easier to shop but also allows for better customer service and fewer theft opportunities.

Shelving Materials

To enhance and highlight product lines, most co-ops select attractive shelving for wellness products. Typical grocery shelving is the basic beige or gray gondola shelving. It's very functional for grocery but does not set off wellness products. Better choices for wellness include:

- Wood or wood laminate shelves—either custom-built or ordered from a grocery or fixture supplier
- A 12-inch gondola shelf overlaid with wood
- Metal shelving with wood or wood laminate shelf tag channels
- Metal shelving with darker, custom colors that draw attention to product
- Rounded shelving to highlight top categories
- Counters with cosmetic mirrors that can double as customer service areas

Shelf Displays for the Wellness Department

Vitamins, supplements, and personal care products should be grouped on the shelf by structure/function and then by brand. Grouping by structure/function allows customers to select products by comparing price, size, and quality among brands. Groups include:

- Immune support
- Joint support
- Multivitamins
- Individual vitamins
- Shampoo and conditioners
- Cosmetics
- Bath and shower products

Within structure/function categories, products can then be grouped by brand to make categories easier to shop. Using color breaks between brands and category signage can also help make structure/function categories easier to shop.

Physical Factors Shaping Shelf Displays

Wellness displays must always be tight—that is, well blocked, with no holes and little space between shelves. A product group can include products of the same size, fragrance, and brand. In a product group arranged by size, put the largest sizes on the lowest shelves. Medium sizes are placed on the middle shelves, and smallest sizes are on the upper shelves.

Visibility is improved by using a ribbon or billboard effect. Ribboning is when all sizes of the same brand are aligned vertically, directly under one another. A billboard effect is when products are grouped by brand, with all sizes and fragrances arranged horizontally.

Use the space between waist and eye level to merchandise your best products—those that reinforce your strategy for a particular category. For example, if your strategy for hair products is to drive greater sales, place your best-selling products at eye level. If your strategy is to reinforce an organic image, place your organic products at eye level. This strategy will vary by category and your market.



Promotions

Product promotions can increase profitability, enhance departments, and build customer loyalty. They are critical to building your market niche. Remember that promotions and their accompanying displays require advance planning, with consideration of how much to buy, seasonality, promotional calendars, and product attributes—all in keeping with your store's brand and price image. Promotion planners must be organized, use accurate information, and communicate well with staff and customers. As you plan for product promotions, keep these simple truths in mind:

- The natural food industry is built on informed choice.
- An educated consumer can make informed choices.
- Customers are educated by information.
- If you inform people, they will develop loyalty to you.

Building Promotional Displays

Planning what products to put on sale and what displays to build for them is based on a number of factors. Different kinds of products call for different kinds of promotions.

Breadwinners are staple items with a history of being good sellers. Promoting them on sale can contribute to a value-driven price image. Some examples are Muir Glen tomatoes on sale for \$1.49, Westbrae organic beans on sale for 99¢, and Santa Cruz apple juice gallons on sale for \$5.99. Breadwinners are products you know will sell, so order a lot and build *big* displays. Remember that new product introductions are often tomorrow's breadwinners.

Products that differentiate are those that are unique to your store and set you apart from other grocery stores. Examples might be Indian entrées, curries, and sauces; foods made with ginger; or gluten-free items, as well as products that are environmentally friendly, healthy alternatives, organic, or locally produced.

Products you believe in are those that are special in some way you'd like to highlight to customers. Do you think So-and-So's teriyaki sauce is the best you've ever had? Does the local, hand-milked, cave-aged cheese contribute to your region's reputation? Is it too delicious to pass up? Build a display of it, and make sure your signage reflects your feelings about the product. Don't forget to sample it, too.

Many products are seasonal: soup in winter; iced tea in summer. Don't build a display of peppermint candies in July. Keep the items in your display related. For example, promote pasta sauce with pasta, cereal with soy milk, and teriyaki sauce with soba noodles.

Co-ops are member owned and often offer member specials. In many co-ops, the benefits of membership include price reductions on certain products. These specials are sale prices available only to members.

Ordering for Product Promotions and Displays

Most retailers have both monthly and weekly promotions. Monthly promotions include advertised preorders, temporary price reductions, and broker case stack deals. It is customary to start the month with displays of advertised products and breadwinners, rotating in other kinds of items later in the monthly cycle.

Use a daily ordering sheet to track preorders and to determine display movement, placement, and replacement. Making a sketch of what a display will look like can help you determine how much to order and what will fit in a certain space.

Another tool for ordering displays is your POS system. Before placing a display order, look up the item's sales history, so you don't end up ordering too much of something that doesn't sell well.

On-the-Shelf Product Promotions

On-the-shelf promotions can take several forms. BOGO stands for "buy one, get one free." BOGO sales will contribute to your positive price image and encourage multiple sales. BOGO deals are often for products such as snack foods, vitamins, or body care items.

EDLP ("everyday low price") is a general pricing strategy of offering low prices on key staple items such as bread, dairy, and snacks. Typically, the low price is justified by the volume in sales at the lower cost, and margin can be made up for with less price-sensitive products, such as chutney or coconut milk. Offering an EDLP program requires strategy and planning. You'll want to use movement reports and review target margins in many subcategories.

End cap displays are typically used to show the co-op to be competitive on price or to differentiate your product line from the competition's. These are high-volume displays and offer a unique opportunity to promote the co-op's product line and price strategies. Almost 80 percent of end cap displays are about promoting a great price on a product; 20 percent are used to "romance" the consumer into buying a new or appealing product or to tell an educational story about a product's virtues, such as fair trade. Often, end cap displays are teamed up with the store's sampling program to push volume.

Line-drive promotions offer an entire line of a product on sale. Line-drive sales are used to build awareness of a product line or to get people to switch brands. Vendors often offer line drives when you have a lot of inventory invested in their line (such as supplements). A line-drive sale can increase volume and build loyalty to a product. Additionally, a line-drive sale can pique interest in products by telling the story of how the line developed.

Outdoor displays will depend on your market area. If you are in a busy urban area or a location without much room, outdoor displays might be difficult to implement. But such displays can be a great way to encourage newcomers to stop in. Seasonal outdoor displays, such as bedding plants in spring, can be quite successful. Outdoor displays give retailers the opportunity to bring the indoors out, to stretch their merchandising beyond what's going on inside.

Pallet drops send a specific message to customers: this is a great deal. Since they take a lot of space, it's important to develop a strategy for selling the promoted product at a high volume. Pallet drops often take shape as truckload sales or aisle events. Using pallet drops judiciously can help your co-op promote an image of abundance, good prices, and high quality.

Case stacks often present a cross-merchandising opportunity, such as fresh apples and apple cider. They can also be used to promote a deep discount on a product, even one that is not a regular item at your store. These promotions are often placed in high-volume traffic areas to encourage impulse buys.

Sign Making for Promotions

Many retailers have standardized display signs in two or three sizes: full sheet (8.5 by 11 inches), half sheet, and quarter sheet. Signs are usually computer generated, but it's better to have a handwritten sign than no sign at all. Occasionally retailers make signs that draw attention to a product's special features. These signs can be computer generated or handmade. They might include photos and marketing messages. Refer to Appendix J, "Brand Standards Sign Maker Guidelines," for more information about sign making.

Off-the-Shelf Promotion

Off-the-shelf promotion has an important role in merchandising. These tactics and techniques can enhance the co-op's overall reputation in the community. Many of them, such as demos, serve a specific promotional niche. Off-the-shelf promotion usually involves a team of people: newsletter editor, classroom coordinator, department buyers, marketing director, sign maker, and line staff. Coordination and communication among these people are critical parts of successful off-the-shelf promotion.

This kind of promotion includes:

- Active demos
- Advertising (in-store and via outside media)
- Classes
- Direct mail
- Events
- Passive sampling
- POS materials
- Public relations
- Raffles
- Sale flyers
- Social networking, newsletters, and websites
- Staff education

Active demos may be the best way to generate immediate food sales. Demos get shoppers to try products and learn to use them. Recipes and specials are great companions to the active demo. Active demos are often most effective during high-traffic times, when you can reach a lot of new and loyal customers.

Advertising can take place on the shelf or off the shelf through brochures, events, and educational activities. You can advertise prices, events, and services. Most merchandisers focus on on-shelf product promotions and leave advertising in outside media to the co-op's marketing director. Advertising for product promotions might include sales circulars in the local paper, in-store sales circulars, advertisements on the co-op's website, and window signs visible from the street.

Classes give customers and the general public opportunities to learn about products, cooking techniques, and a healthy lifestyle. Teachers might be co-op staff members, natural healing practitioners, nutritionists, or manufacturer representatives. If you don't have a dedicated classroom, explore partnerships with area organizations or community education programs. Classes are often very helpful in selling product, building in-store traffic, and gaining repeat customers.

Direct mail can be an effective way to promote a highly desirable product that differentiates the co-op from the competition (local cheese, fair-trade chocolate). It can also introduce the co-op to new consumers. Focused on a specific demographic or zip code, direct-mail product promotions almost always include a coupon for a free product to help drive traffic to the store.

Events create buzz and a welcoming atmosphere. They let you reach customers with something new or unusual. Special events can be anything: tasting fairs, holiday promotions, dog washes. They can be tied to other community happenings. Events can be a lot of work and require advance planning to be successful, but they don't have to be complicated. Enlist the help of manufacturers for demo people and free products.

Passive sampling allows customers to taste food. It's an especially good tactic for promoting great-tasting food (produce in season, chips and salsa, cookies) that requires little explanation. Many retailers do everyday passive sampling—often at lunch or dinnertime, when people are stopping in for something to eat.

POS materials are flyers or brochures situated near a product or at information kiosks. They focus on the uses and benefits of a product. These materials can be produced in-store or acquired through trusted manufacturers or vendors. They can be an invaluable resource for helping explain new or complex products, or to answer frequently asked questions about commonly used items.

Co-op public relations often focus on event promotion or the co-op's stance on issues. But if a product is unusual or newsworthy, it may be worth generating a press release.

Raffles are often part of some larger event, but they don't have to be. Encourage vendors to offer something related to their products to raffle off to your customers. The event will build traffic to the promotional display. Follow up by featuring the winner in your newsletter. The co-op gets the added benefit of appearing generous.

Sale flyers and circulars are generally used as price advertising for on-sale products. They occasionally provide some educational information. They can be stuffed into grocery bags, left in shopping carts, mailed with newsletters, or inserted in local newspapers. They can also be posted online on the co-op's website.

Social networking sites can be an excellent and inexpensive tool for enhancing store image and increasing store traffic. Use them to announce specials and events. Newsletters and shorter e-newsletters can also be used to promote products and producers. Your co-op's website is an excellent place for product promotions. Attractive, accessible websites are an effective means to communicate with current customers and introduce yourself to new ones.

Finally, staff education can be as informal as word-of-mouth product information or as formal as department meetings and training sessions. Many food co-ops train staff in natural food basics, giving them familiarity with and the confidence to speak about products offered at the store. For more information about natural food training, refer to the "Resources" section of this handbook.



Store Conditioning

Store conditioning involves efficient daily operations and behind-the-scenes attention to food safety, customer service, and the store's physical plant. It is a continual process that starts before you open and ends after you close. Many successful retailers create checklists and procedures for store conditioning.

A pleasant store atmosphere will help attract and keep customers. Conversely, unprofessional procedures and inattention to important details can drive customers away. Such hazards include:

- Dirty or messy bathrooms
- Dirty floors
- Loud music
- Handwritten signs
- Poor lighting
- Offensive odors
- Disorganized checkouts

All these things convey a negative image, and in retailing, image is everything. In the natural food industry, store conditioning routines should be focused on being ready and eager for customers and offering high-quality products in a clean, safe, and welcoming atmosphere.

Opening Basics

Adapt the following checklist to make sure the store is ready to open:

- **Parking Lot:** Check parking area for nuisances, including garbage, broken glass, stray shopping carts, and graffiti.
- **Checkout Area:** Make sure grocery bags are stocked and register stands are wiped down and cleaned. Sweep and vacuum any rugs or mats in the checkout area.
- **Dining Area:** Make sure surfaces and appliances are clean, utensils are stocked, and waste bins and bus carts are empty.
- **Customer Bathrooms:** Make sure restrooms are clean and stocked.
- **Floor:** Make sure the floor is clear of boxes, products, cutters, and ladders. Make sure it is safe and ready for customers. Put rugs down in the produce department, at the deli counter, along the salad and hot bars, and at checkout lanes (depending on the season).

- **Final Floor Check:** Make sure all staff members are properly uniformed, in correct locations, and ready for customers. Check in with leads or managers to make sure departments are fully staffed and ready to go. Make sure cooler lights are on. Turn on the store’s music or radio receiver.
- **Opening Announcements:** On the intercom, count down to the store opening fifteen and five minutes ahead of time. Make a final announcement when the store opens.

Closing Basics

Adapt the following checklist to use at closing time:

- **Closing Announcements:** On the intercom, count down to the store closing fifteen and five minutes ahead of time (“It is 8:55, and we will close in five minutes. Please bring all items to be purchased to the checkout area.”)
- **Main Doors:** After all customers have exited, bring in any carts from the parking lot. Close and lock the doors.
- **Staff Exit:** Staff should exit through the designated door.
- **Sales Floor:** Walk the sales floor. Take temperatures and check the waste corral. Turn cooler lights off if department staff have not done so. Turn off floor music.
- **Deli:** Walk through the deli counter and kitchen. Turn off kitchen lights and hoods if not already done. Shut windows. Check that all stove pilot lights are on. Relight them if necessary. Turn off all scales and equipment.
- **Dining Area:** See that tables are wiped down and that waste bins and bus tubs are empty.
- **Front End:** Make sure front-end office lights are left on and that the office door is locked.
- **Other Doors:** Make sure all exterior doors are locked. Check all staff and emergency doors.
- **Lights and Windows:** Turn off closet lights. Leave on one or two lights for floor cleaners. Close and latch all windows.

See Appendix K for more details on daily operational maintenance tasks.

Food Safety, Cleanliness, and Sanitation

No matter what department you work in, everyone in the retail environment is a food worker and should be conscious of food safety basics. Consumers have a high level of trust in our ability to deliver high-quality, safe foods. Everyone at the co-op should make food safety a priority. Enforce the following rules:

- Staff must wash their hands after using the restroom and frequently throughout shifts.
- Staff should change aprons after handling compost, garbage, or recycling.
- Staff should remove aprons on smoke break and while using the restroom.
- Staff should undergo department-specific training on food handling.

- Staff should cover coughs with shirt sleeves, not their hands.
- Staff must wear hats in the kitchen.
- Staff must keep hot foods hot and cold foods cold.
- Staff who are ill must report their symptoms to department managers or leads. They should not come to work sick.

To find out more about your state and local health department requirements and regulations, go to www.fda.gov.

Workplace Safety

Everyone has the right to a safe work environment, and employees have a responsibility to work safely for everyone's benefit. Employees in every department should know where to find cleaning supplies and first-aid kits and how to handle emergencies.

Critical supplies include:

- Mops, buckets, and clean rags
- “Wet Floor” signs
- Fire extinguishers
- First-aid kits
- Step stools
- Phones to page for assistance

Employees should also follow these safety guidelines:

- Use safe knife and box cutter practices.
- If you see a spill, start the cleanup right away.
- Always wear appropriate clothing (closed-toed shoes and sleeved shirts).
- All tools and equipment (ladders, box cutters, and dollies) should be off the sales floor when not in use.
- Follow safety guidelines set forth by your department managers (correct lifting technique, no reckless clowning, etc.).
- Ask for help and offer help.
- Work with others respectfully and with integrity.
- Protect the store, customers, and inventory.
- Practice exceptional customer service to prevent theft.
- Get the manager on duty to an emergency situation immediately.
- Offer escorts after dark and after hours, and travel in groups.

Waste Handling

Most food co-ops have made a stated commitment to reducing waste in their operations as well as helping customers minimize waste in personal consumption. As grocery stores, however, our businesses generate a lot of trash. How we handle our garbage is important not only to store conditioning and safety; it also sends a message to the community about our values. Many food co-ops have reduced waste in their operations through composting and recycling programs. Take the following steps to minimize waste in your store:

- Set up a corral, compactor, or dumpster for nonrecyclable and noncompostable trash.
- Recycle paper, cardboard, glass, aluminum, plastics (bags and containers), printer toner and ink cartridges, batteries, and lightbulbs.
- Compost food waste from food prep and consumers.
- Reuse packing peanuts and bubble wrap.

Maintaining Equipment

Maintaining grocery equipment, from appliances used in the deli to the main refrigeration cases, requires diligence. It is vital to your daily operations and product integrity that equipment is efficient and well functioning. Refrigeration is especially critical. Food has gone through a process of storage and transport before it reaches your displays. Food safety regulations must be maintained throughout this process. (See Appendix L, “Cooler Temperature Log,” for information on monitoring food temperatures.)

Cleaning Schedules

All equipment, shelves, bins, and floors must be cleaned on schedule, either in-house by staff or by a cleaning company. Make a schedule for cleaning the following:

- Floors
- Bathrooms
- Windows
- Bulk bins
- Freezers and coolers
- Register stands
- Shelves

Emergency Procedures

Store managers all need to know and be prepared for all potential circumstances. Store conditioning extends to being prepared for all situations, not just being prepared to open the doors.

Medical Emergencies

If a staff member is critically injured, call 911. If the injury is not critical, call your local clinic and explain the nature of the injury. Take the employee to the clinic or emergency room if necessary.

Help the employee complete a “First Report of Injury” form. Leave the original with your human resources department. Have the employee take a copy with him or her to the clinic or emergency room. The attending doctor will fill out a “Physician’s Report,” which should also be filed with your human resources department.

If a customer is injured in the store or on store property, ask whether he or she wants medical attention. Call 911 only if the customer wants an ambulance. The manager on duty, with another staff person witnessing, should fill out a “Non-Staff Accident Report.” This form needs to be signed by the injured person, or a witness if the injured person refuses to sign. No matter who is injured, forward all forms and documentation to your human resources department.

Power Outage Procedures

If there is a power outage during normal business hours:

- Notify staff and customers.
- Close the store.
- Do a complete temperature check on coolers.
- Call the power company to report the outage.
- Check in with and assist departments as needed.
- Notify operations and department managers if power is still off after one hour.
- Check in with department leads every hour or as needed.
- Check cooler temperatures every two hours.
- Call the power company every two hours for updates.
- After two hours, start looking for places to store refrigerated products.
- Throw out refrigerated food if it sits above 41 degrees for more than four hours.

When power returns, check the compressors. Call the refrigeration company to request a compressor checkup during business hours. Do a complete temperature check; throw out items as required by health codes, recording them as requested by your manager. Meet with department leads to decide whether or not to reopen the store.

Systems to Perpetuate Store Conditioning

Stocking

There's more to stocking shelves than taking product out of the box and putting it on the shelf. Shelves and aisles should be rotated, faced, and full of product.

Guidelines for stockers:

- Stock on only one side of an aisle at a time; keep your stocking cart on that side.
- Keep the aisle clear for customers.
- Before stocking, check dates on all items. If a packaged product expires in fewer than thirty days, DO NOT stock it. Inform the receiver or department manager.
- Open all boxes at once using your box cutter.
- To ensure you are stocking the correct product, check the shelf tag for the UPC. The shelf tag will specify the flavor, size, number of facings, and so on.
- Rotate all products. Put new product behind older product. Practice “first in, first out” with products.
- When possible, pull out all back stock.
- If items are stacked two levels high, put new product in the back and on the bottom. Older product should be placed on top and toward the front.
- Stock products with the labels facing out.
- Leave no gaps between products.
- Fill small spaces at the end of a shelf with items facing sideways.
- Be aware that a product might have more than one location in the store.
- Become familiar with your store's products, product locations, and shelf arrangement.

Back stock consists of all products that don't fit onto the shelves. Back stock is organized by products and sale items. Tips for storing back stock:

- Put partial cases of similar items together.
- Take the oldest product from back stock first.
- During training, put back stock away with the buyer. He or she will show you the correct locations.

General Stocking Overview

The opening shift should work the incoming orders every morning. Back stock is pulled as needed and differs from one department to another. For example, packaged grocery and frozen may be pulled about three times a week. Water, chips, paper, and soy milk may need to be pulled every day, along with bulk, bread, and dairy products.

During the day, special displays should be restocked, and the store should be fronted regularly. From early afternoon until closing, all areas must be maintained, with a focus on fast-moving product such as end cap specials, cooler drinks, coffee, bread, and eggs. Dairy will be worked more frequently, as movement is more aggressive for these items and cooler shelves are generally small. At the end of the day, the store should be fully fronted as the final task before closing.

Out-of-Stocks

Out-of-stocks (OOS) generally result when a buyer underorders product or a vendor is unable to supply an order. Always explain to customers that you will reorder an OOS at the next available opportunity. The time frame will vary, depending on the vendor. Record customers' names and contact information. The buyer or customer service department should call customers when the item is back in stock.

All shelves empty due to an OOS *must* have an OOS sign. If you see an empty shelf, check the back stock before placing a sign.

Box Cutter Safety

Box cutters are an excellent tool for opening boxes efficiently. Because they are equipped with blades, they must be handled with the same respect as a knife. Correctly using a box cutter will cut down on injuries and contribute to a safe work environment. Staff should always have sharp blades in their box cutters and keep them closed and in their pockets when not in use.

APPENDICES

Appendix A

Product Philosophy Statement

Weavers Way Co-op, Philadelphia, Pennsylvania

Weavers Way Co-op strives to uphold a variety of principles in making decisions about what products to purchase for resale to our members. Because we are owned and operated by consumer-members, our product philosophy reflects the diversity of our membership. The philosophy that underlies our buying decisions might best be described as one of healthy eclecticism. While we strive to appeal to the broadest demographic base, our decisions about which products to purchase are also informed and guided by our responsibility to maintain a fiscally sound operation.

When and where possible, the following guidelines support our buying decisions at Weavers Way:

- We are committed to providing products for which we have full nutrition and source information and to providing this information to our members.
- We purchase products that are cooperatively or collectively produced.
- We buy products which are locally and/or regionally produced and which support the local economy.
- We buy products from independent suppliers and producers and from small business owners.
- We are committed to buying the freshest products available.
- We offer products at cost savings to members.
- We provide choices for our members and offer product alternatives (e.g., organic vs. nonorganic, gourmet/specialty vs. value-priced, bulk vs. packaged/processed).
- We purchase eco-friendly products that do not adversely affect the environment; we avoid purchasing products that have been proven detrimental to human health or the environment.
- We attempt to buy products from businesses which support conditions of shared wealth and which do not exploit workers.

Appendix B

Pricing Cheat Sheet

Math terminology varies within the retail industry, but most grocery retailers use the following language for formulas:

Retail Price (Suggested Retail Price or SRP)

$$\text{\$ retail} = \text{\$ cost} / (100\% - \text{margin \%})$$

This formula is used to determine the retail price when the cost and the desired margin percentage are known. Example: The cost on an item is \$44. The desired margin is 56 percent. $100\% - 56\% = 44\%$ cost complement to the retail margin. The cost of \$44 is divided by the cost complement of .44 to arrive at the target retail price of \$100 ($\$44 / .44 = \100).

Markdown Percentage

$$\text{Markdown \%} = \text{\$ markdown} / \text{promo SRP}$$

This formula is used to determine the savings when a product is put on promotion.

Example: The original SRP is \$100. The promo SRP is \$80, reflecting a markdown of \$20 ($\$100 - \80). The retail markdown expense—and the consumer savings on the promo—is 25 percent ($\$20 / \80).

Margin Percent

$$\text{Margin \%} = (\text{\$ retail} - \text{\$ cost}) / \text{\$ retail}$$

This is the percentage of profit included in your selling price. The profit is expressed as a percentage.

Example: $\$100$ retail – $\$44$ cost = $\$56$. $\$56 / \$100 = 56\%$.

Desired Cost

$$\text{\$ cost} = \text{\$ retail} \times (100\% - \text{margin \%})$$

This formula is useful for calculating the most you can pay for an item that you need to retail at \$100 and on which you want a margin of 56 percent. Use this formula in cost negotiations with vendors.

Example: A \$100 retail item with a 56 percent margin has a cost of \$44. ($100\% - 56\% = 44\%$. $\$100$ retail $\times .44 = \$44$.)

Margin

\$ margin = \$ retail – \$ cost

This is the initial margin before the impact of markdowns. A merchant's job is to turn the inventory often while preventing depreciation of the initial margin. The number-one cause of excessive markdowns is overbuying.

Percent Change in Sales

This period of sales – last period of sales / last period of sales

Example: This period sales = \$1,000,000. Last period sales = \$900,000. $\$1,000,000 - \$900,000 = \$100,000$ increase. $\text{Increase of } \$100,000 / \text{last period sales of } \$900,000 = 11.1\%$ increase.

Planned Stock

Planned monthly sales x stock sales ratio

Example: Planned monthly sales of \$100,000 x planned stock-to-sales ratio of 4.0 = planned first-month inventory of \$400,000. Averaging a four-to-one stock-to-sales ratio each month (four months' supply on hand) will result in achieving retail inventory turns of three per year.

Shrinkage

Book inventory – physical inventory

This is an unknown loss. If an item is broken or otherwise damaged in stock and disposed of, and no markdown is recorded, it becomes an unknown loss. Theft is also an unknown or unrecorded loss, or shrinkage. A markdown is also a loss, but if it's recorded, it's a known loss, not shrinkage.

Appendix C

Ten Steps for Conducting Competitor Price Comparisons

1. Choose competitors where your customers shop, even if they shop there only for certain categories or items.
2. Survey at least twice per year—more frequently for perishable or seasonal items with frequent price fluctuations; less often for wellness. Increase the frequency of surveys with new competitors or when competitors add new departments or remodel.
3. Survey your competitors during peak business hours to see how shoppers interact with their products and services.
4. Capture complete information for each product: brand, description, pack size, everyday price, and promotional price.
5. Use a mobile phone to call your prices to someone (or voicemail), or use a digital camera to photograph a competitor's shelf sets and prices. Be sure to be discreet.
6. Conduct a broad review the first time you survey a competitor; gather information about the store's product mix and pricing. In subsequent surveys, focus on items that are popular and widely available.
7. Look beyond prices—notice shelf placement, store layout, promotions, services, and customer service to create a larger context for the store's pricing strategy.
8. Use a pricing comparison tool (see the “Resources” section of this manual) or develop a tool that allows you to analyze the results of your survey by department, category, brand, item, and competitor.
9. Look for prices that are both above and below your prices. Determine where you might need to lower prices and where you might be able to increase them.
10. Create a “market basket” of items that you aim to compete on. Determine which retailer you want to index your everyday and promotional prices against.

Appendix D

Sample End Cap Planner

End Cap 3	Natty Breakfast – Kids
NP Envirokidz Cereal	NP Envirokidz Cereal
NP Envirokidz Cereal	NP Envirokidz Cereal
NP Envirokidz Cereal	NP Envirokidz Cereal
Pacific ND Beverages	Pacific ND Beverages
Pacific ND Beverages	Pacific ND Beverages
Pacific ND Beverages	Pacific ND Beverages

End Cap 2	Chocololics Delight
Equal Exchange Chocolate	Equal Exchange Chocolate
Equal Exchange Chocolate	Equal Exchange Chocolate
Chocolove	Chocolove
Chocolove	Chocolove
Endangered Species	Endangered Species
Endangered Species	Endangered Species

End Cap 1	Macaroni Madness!!!
99¢ Annie's Mac & Chz	99¢ Annie's Mac & Chz
99¢ Annie's Mac & Chz	99¢ Annie's Mac & Chz
99¢ Annie's Mac & Chz	99¢ Annie's Mac & Chz
99¢ Annie's Mac & Chz	99¢ Annie's Mac & Chz
99¢ Annie's Mac & Chz	99¢ Annie's Mac & Chz
99¢ Annie's Mac & Chz	99¢ Annie's Mac & Chz

End Cap 6	Tea Time
Choice Tea	Yogi Medicinal Tea
Choice Tea	Yogi Medicinal Tea
Choice Tea	Yogi Medicinal Tea
Choice Tea	Yogi Medicinal Tea
Choice Tea	Yogi Medicinal Tea
Choice Tea	Yogi Medicinal Tea

End Cap 5	Gluten-free Livin' **
Glutino Bfast Bars	Glutino Bfast Bars
Glutino Bfast Bars	Glutino Bfast Bars
Enjoy Life Chocolate	Enjoy Life Chocolate
Enjoy Life Cookies	Enjoy Life Cookies
Arico Cassava Chips	Arico Cassava Chips
Arico Cassava Chips	Arico Cassava Chips

End Cap 4	Heart Health
Lakewood Heart Health Juice	Lakewood Heart Health Juice
Lakewood Heart Health Juice	Lakewood Heart Health Juice
Lakewood Heart Health Juice	Lakewood Heart Health Juice
Lakewood Heart Health Juice	Lakewood Heart Health Juice
Lakewood Heart Health Juice	Lakewood Heart Health Juice
Lakewood Heart Health Juice	Lakewood Heart Health Juice

** add case stacks of Real Foods Corn Thins and Arico cookies

Sample End Cap Planner

End Cap 9	Clean Up	
Bio-Kleen Laundry Powder	Earth Friendly Dishmate	Bio-Kleen Laundry Powder
Bio-Kleen Laundry Powder	Earth Friendly Dishmate	Bio-Kleen Laundry Powder
Bio-Kleen Laundry Powder	Earth Friendly Dishmate	Bio-Kleen Laundry Powder
Bio-Kleen Laundry Powder	Earth Friendly Dishmate	Bio-Kleen Laundry Powder
Bio-Kleen Laundry Powder	Earth Friendly Dishmate	Bio-Kleen Laundry Powder
Bio-Kleen Laundry Powder	Earth Friendly Dishmate	Bio-Kleen Laundry Powder

End Cap 8	Cookies, Cookies, Cookies	
Country Choice	Country Choice	Country Choice
Country Choice	Country Choice	Country Choice
Barbara's Fig Bars	Barbara's Fig Bars	Barbara's Fig Bars
Barbara's Fig Bars	Barbara's Fig Bars	Barbara's Fig Bars
Newman O's	Newman O's	Newman O's
Newman O's	Newman O's	Newman O's

End Cap 7	Mangia, Pasta!	
Muir Glen Pasta Sauce	Muir Glen Pasta Sauce	Muir Glen Pasta Sauce
Muir Glen Pasta Sauce	Muir Glen Pasta Sauce	Muir Glen Pasta Sauce
Montebello Pasta	Montebello Pasta	Montebello Pasta
Montebello Pasta	Montebello Pasta	Montebello Pasta
Spectrum EV Olive Oil	Spectrum EV Olive Oil	Spectrum EV Olive Oil
Spectrum EV Olive Oil	Spectrum EV Olive Oil	Spectrum EV Olive Oil

End Cap 12	Basic Chips and Soda	
Kettle Chips*	Kettle Chips	Kettle Chips
Kettle Chips	Kettle Chips	Kettle Chips
Kettle Chips	Kettle Chips	Kettle Chips
Blue Sky Soda	Blue Sky Soda	Blue Sky Soda
Blue Sky Soda	Blue Sky Soda	Blue Sky Soda
Blue Sky Soda	Blue Sky Soda	Blue Sky Soda

End Cap 11	Soup Season	
E&S Miso Cups**	E&S Miso Cups	E&S Miso Cups
E&S Miso Cups	E&S Miso Cups	E&S Miso Cups
Pacific Can Soups	Pacific Can Soups	Pacific Can Soups
Pacific Can Soups	Pacific Can Soups	Pacific Can Soups
Imagine 32 oz soups	Imagine 32 oz soups	Imagine 32 oz soups
Imagine 32 oz soups	Imagine 32 oz soups	Imagine 32 oz soups

End Cap 10	Natty Breakfast Too	
Cascadian Farms Cereal*	Cascadian Farms Cereal	Cascadian Farms Cereal
Westsoy Unsweetened	Westsoy Unsweetened	Westsoy Unsweetened
Cascadian Farms Cereal	Cascadian Farms Cereal	Cascadian Farms Cereal
Westsoy Unsweetened	Westsoy Unsweetened	Westsoy Unsweetened
Cascadian Farms Cereal	Cascadian Farms Cereal	Cascadian Farms Cereal
Westsoy Unsweetened	Westsoy Unsweetened	Westsoy Unsweetened

*sub FSTG chips, if preferred

**sub Simply Asia noodle bowls, if preferred

*sub GT Peace Cereal, if preferred

Appendix E

Food Allergen Labeling and Consumer Protection Act of 2004

In January 2006, allergen laws relating to prepackaged foods went into effect in the United States. The legislation is known as FALCPA (Food Allergen Labeling and Consumer Protection Act). A full copy of the law can be found at www.fda.gov.

The law says that any item containing two or more ingredients, made in-house and packaged or wrapped for resale in a self-service case, must include a list of allergens. Items not made in-house but repacked for self-service cases also must include a list of allergens. Items made in-house but not prepackaged (full-service salad or bakery items, sandwiches made to order, hot- and salad-bar items, self-serve breads and pastries) do not need allergen listings. The eight major allergens that must be disclosed are:

- Milk
- Eggs
- Fish (identified by type, such as flounder or salmon)
- Crustacean shellfish (identified by name, such as lobster or shrimp)
- Tree nuts (identified by type, such as cashew or hazelnut)
- Wheat
- Soybeans
- Peanuts

Labeling should use the word *contains* and list common names. For example, “Contains wheat and milk.” The allergen must be listed even if the common name is used in an ingredient name. For example, if an ingredient list includes wheat flour and buttermilk, the allergen label must also say “Contains wheat and milk.” If the allergen name does not appear in an ingredient name, it must be listed next to that name in parenthesis in the list of ingredients. Example: “Ingredients: oats, flour (wheat), casein (milk), natural flavorings (egg, milk). The typeface listing allergens must be equal to or larger than the ingredient typeface.

The ruling does not apply thresholds; an allergen must be listed if it is present in any quantity. This means you will need to know subingredients. So if your bakery uses a pan spray that contains soy lecithin, soy must be noted in the allergen alert. Since all manufacturers are obligated to comply with FALCPA, you should be able to look at product labels to uncover any hidden allergens used in your own foods.

If cross-contamination cannot be avoided, you can use a “may contain” statement to notify consumers about the possible presence of allergens. But you are not required to make a “may contain” statement if such contamination was not intentional and you used good manufacturing processes.

To be safe and in compliance, add allergen listings to any price lookup (PLU) label and text you create, regardless of where and how you generally sell the product. For more information regarding compliance with the new law, visit http://www.fmi.org/gr/federal_labeling.htm or <http://foodconsumer.org> (type in search word “FALCPA”).

Appendix F

Deli Evaluation and Checklist

Question	Yes	No
Does everything look attended to?		
Is there clutter on case tops or back counters?		
Is it acceptable stuff or not?		
Is the glass cleaned regularly?		
Is there signage stuck on the case fronts?		
Do under- and over-table shelves appear organized?		
Is prepack product fronted and filled?		
Do cases and counters look clean, especially baseboards and vents?		
Is there a schedule for cleaning baseboards and compressor fins and under counters and ledges?		
Are extraneous papers taped on the walls or surfaces in customer sight?		
Are checklists out of customer sight lines?		
Are the floor corners and drains clean?		
Are the trash cans maintained and clean?		
Are plastic ware and napkins available and easily accessible?		
Is the condiment area organized and well kept?		
Are countertops clean?		
Is an overabundance of packaging displayed?		
Is signage clear and printed?		
Are there handwritten signs?		
Is there signage with additions to ingredients added with a Sharpie?		
Is the laminate on signage peeling or oil soaked?		
Are signs and sign clips clean and cleaned regularly?		
Do the signs or clips hide the food?		

Deli Evaluation and Checklist

Question	Yes	No
Are sign clips placed directly in the foods?		
Does signage explain, add romance to, or tell the story of products?		
Are organic items clearly labeled?		
Is your signage easy to read and consistent with the store font?		
Are the deli signs cluttered with too much information?		
Do the deli signs provide enough information?		
Are price points clear and easy to understand?		
Are items available by “the each”?		
Is there signage below items on prepack shelves?		
Does the counter staff show a professional appearance, with aprons or uniforms?		
Is any torn or threadbare clothing seen?		
Does the deli staff wear gloves as needed?		
Does the deli staff wear headgear or hairnets?		
Is there a glove policy?		
Does the staff wear nametags?		
Are clothing and uniforms clean?		
Does the kitchen staff present a professional appearance, with aprons or uniforms?		
Does the kitchen staff wear torn or threadbare clothing?		
Does the kitchen staff wear headgear or hairnets?		
Are food areas organized?		
Are dish and sink areas organized?		
Is the cooler organized, with organic food kept separately?		
Are production lists and recipes in use?		
Are pots and pans black with carbon?		
Is equipment clean and in good repair?		

Deli Evaluation and Checklist

Question	Yes	No
Is music too loud?		
Is food left unattended on counters?		
Does staff tend to eat while handling food or serving customers?		
Do your labels match signage ingredients?		
Are sanitation buckets or bottles available in food/service areas?		
Are time and temperature logs kept up?		
Is there a clear dating system on display food?		
Is there a clear and consistent dating system in coolers?		
Do you see food stored on the floor?		
Are sinks and dishwashing machines in working order?		
Are hoods and vents clean?		
Is there a schedule for grease-trap cleaning, vent cleaning, and compressor cleaning?		
Are there dirty towels on tabletops or in plain sight?		
Are hand soap and towels available and paper towel and soap dispensers working?		
Does display product appear fresh, rotated, and appetizing?		
Does any food appear crusty or dried out?		
Is there diversity in food choices and flavors?		
Is there abundance in displays?		
Is there appropriate garnish in display cases?		
Do you have passive sampling during peak times?		
Are food and recipe choices appropriate for the season?		
Are like items grouped together for impact?		
Is packaging size and type appropriate?		
Are bowls or platters chipped?		
Are prepack labels facing customers?		

Appendix G

Country-of-Origin Labeling (COOL)

Effective September 30, 2008, all retailers must comply with Country-of-Origin Labeling (COOL) laws as directed in the 2002 Farm Bill. COOL laws tell consumers where the products they purchase come from. According to COOL guidelines, all retailers and suppliers must label muscle cuts of beef (including veal), lamb, chicken, goat, and pork; ground beef, ground lamb, ground chicken, ground goat, and ground pork; wild and farm-raised fish and shellfish; perishable agricultural commodities; macadamia nuts; pecans; ginseng; and peanuts with the country from which said commodity originated.

The guidelines do not require additional documentation beyond that retained in the normal course of business by retailers. Maintaining records consistent with Perishable Agricultural Commodities Act (PACA) regulations is sufficient. If the USDA requests copies of such records, retailers will have five days to comply. Retailers and suppliers will be given thirty days to respond to a request to comply with regulations. The USDA may impose fines up to \$1,000 per violation if it determines that the retailer has not made a good-faith effort to comply with the regulation.

In general, the country-of-origin declaration may be provided by means of a label, placard, stamp, band, sign, twist tie, pin tag, or other clear and visible sign on the covered commodity or on the package, display, holding unit, or bin containing the commodity at the final point of sale to the consumer. The declaration of the country of origin may also be in the form of a check box.

COOL and the Meat Department

Meat must be identified in one of three ways:

- As a product of the United States. It is sufficient to label product from a specific state or region within the United States. An example would be “Texas beef.” Meat is to be considered a product of the United States if it was inside the country by January 1, 2008.
- As a product of a foreign country. The country of origin must be specified using internationally accepted country identifications (such as “Product of the UK”).
- As a product of multiple countries. If cattle are raised in Canada and shipped to the United States for processing, labeling must state, “Product of the United States from cattle imported from Canada.” If meat from more than one country is ground, the label must state all source countries (“Made from beef from the United States and Canada”).

Meat served in a restaurant; used as an ingredient (in hot dogs, sausages, luncheon meat, or spaghetti sauce, for example); or ground with seasoning and cooked, breaded, or cured is excluded from the mandatory laws.

COOL and the Produce Department

Under COOL guidelines, produce must be identified either:

- As a product of the United States. The bill expressly allows the use of state, regional, or local designations in lieu of country of origin for produce.
- As a product of a foreign country. The country of origin must be specified using internationally accepted country identifications (such as “Product of the UK”).
- As comingled commodities. A bag of frozen strawberries that contains berries from the United States and Canada would need to identify both countries of origin on a single label.

When produce comes from more than one country, each container must be labeled with the specific country. For instance, if your store receives onions from Mexico one week and from Idaho the next, it is not sufficient to label the onions from “Mexico/United States.” Each batch must be separately designated. When product from multiple sources is merchandised together, as in a bin, you may apply a single sign that states all the countries represented in the bin.

Exemptions to the COOL rule for produce include processed items that have “undergone specific processing resulting in a change in the character of the commodity.” An example would be strawberries dipped in chocolate, smoothies, salad mix with carrots, or fruit medley. For the full USDA bill (233 pages), visit http://federalregister.gov/OFRUpload/OFRData/2008-17562_PI.pdf.

Appendix H

Produce Pricing Worksheet

The files that accompany this workbook include an Excel file (Appendix H) that can be used to calculate produce department contributions to margin. The multivendor worksheet can be used to track landed price and margin for a wide variety of items.

Appendix I

Sample Monthly Merchandising Focus: January

January theme: “Out with the old, in with the new”

Secondary theme: “Healthy living”

Education focus: nontoxic cleaning

Food feature: bulk foods

Community focus: winter clothing drive

Prepared foods: soups, chilies, stews

Produce: dark leafy greens

Grocery: hot cereals and griddle cakes

Meat: roasts and stew meat

In-store signage and poster: “New Year, New You!”

Appendix J

Brand Standards Sign Maker Guidelines

Linden Hills Co-op, Minneapolis, Minnesota

The following fonts should be used for shelf and other in-store signs:

- **Egyptienne:** For bold headings, titles, large directional signs, and product names
- **Clarendon:** For pricing information and informational/directional signs
- **Bailey:** For recipe and brochure copy (excluding titles) and large amounts of text
- **Tiepolo:** For co-op name when used in conjunction with co-op logo

The co-op's color palette includes shades of blue, gold, green, orange, and yellow. Avoid plain white or extremely bright colors for signs. NO ACID GREEN, NO HOT PINK. Not in public. Not ever.

Deli and bakery goods, including prepacks, sandwiches, olives, and soups, use DELI preprinted paper. Certified organic produce, bread, cheese, meat, bulk, and refrigerated prepacks use green “organic” paper. Noncertified organic foods (including transitional) use cantaloupe “nonorganic” paper. Monthly sale signs use blue preprinted paper for member-only specials or gold preprinted paper for all-store specials.

Because sign paper is pricy, have someone with great spelling skills proofread your signs *before* you print. Also, gang your signs to use an entire sheet of paper; don't print just one sign when the sheet is laid out for eight or fifteen. Consult with your friendly Sign Czar for instructions on other types of signs as needed.

Appendix K

Daily Manager on Duty (MOD) Routines

Seward Co-op Grocery & Deli, Minneapolis, Minnesota

Opening the Store

- Read MOD log; check for e-mails that need attention
- Write name on MOD board; look for messages from opening staff; write name on customer service (CS) in/out board
- Check voicemail for sick calls; fill out absences/late log; call to cover shifts as needed
- Open and disarm office; check schedule; pull out till bags
- Make sure customer restrooms are clean and stocked, and trash cans are lined and empty
- Make sure dining area is clean, utensils are stocked, and trash and recycling containers are empty
- 8:45 a.m.: Announce on PA, “We will be opening in fifteen minutes.”
- Make sure work areas are clean, cash drawers are in, and lane number lights are on
- Make sure floor is clean, safe, and ready for customers; all lights are on; coolers are uncovered; rugs are down; and aisles are clear
- 8:55 a.m.: Announce that store will open in five minutes.
- Check that store is fully staffed and that staff are wearing aprons and name tags
- Unlock entry and exit doors; set automatic door openers to “on” position; turn on Open sign at CS, turn on music in IT closet
- 9:00 a.m.: Announce on PA: “We are now open!”
- Pick up dangerous trash (such as bottles) from parking lot; make a mental note of cars parked (if any); set “No Parking” signs in proper locations
- Check cooler temperatures and cart corral between 9:00 and 10:00 a.m.
- Check bulk supplies between 9:00 and 10:00 a.m.

Throughout the Day

- Walk the floor often; ensure safe and smooth store operations; provide customer service; support staff; prevent shoplifting
- Check for excellent staff performance, store cleanliness, and safety
- Check in with leads/managers to ensure that breaks and operations are going smoothly; assist where able.
- Monitor front-end activity closely; distribute green POS error stickies; check cart corral; ensure cleanliness and safety; provide customer service

- Check cooler temperatures between 3:00 and 4:00 p.m.
- Supervise housekeeping staff to ensure store cleanliness
- Clean up spills; promptly place “Caution” sign on wet floor
- Monitor and fix store equipment and make appropriate service calls
- Document suspicious activity with incident reports and photographs
- Read all departmental logs
- Look for outdoor trash, vandalism, unauthorized parking, snow/ice accumulation, solicitors, and abandoned carts
- Make sure back door isn’t propped open

Closing

- Do final temperature and cleaning checks between 8:00 and 9:00 p.m.; take out plastic bag recycling; empty key garbage bins in absence of housekeeper; clean counters and restock bulk supplies
- 8:30 p.m.: Make sure bags are stocked, registers are cleared of product and personal items, full milk crates are taken to the back, and register supplies are stocked
- Take trash and recycling from registers, CS, front and back offices, and break room; recycle breakroom newspaper and bread if overflowing
- 8:45 p.m.: Make closing announcement; bring carts in from corral; put dining chairs up
- 8:55 p.m.: Make closing announcement
- 9:00 p.m.: Make “We are closed” announcement; turn off “Open” sign at CS; lock entrance and exit doors; set automatic door openers to “off”
- Scan sales floor for remaining customers; bag groceries and open doors for remaining customers
- Turn off monitors and lane lights; put mats up; clean work space; bring in carts

Final Store-Closed Checklist

- Bathrooms stocked
- HBC closet locked; mat and chair up; cooler/cabinet lights off
- Deli lights, boom box, and cooler off; cooler doors closed; ovens off; range pilot lights lit
- Walk-in cooler doors closed and lights off; product fronted
- Back office lights off; computer users logged off
- Break room clean; breadbox closed; newspaper recycled; appliances off; lights off
- Bulk areas clean and stocked; maple syrup in dairy walk-in
- Produce coolers covered; cooler doors closed; lights and boom box off; door locked
- Front-end music off; safe locked; monitors and calculators off; work areas tidy; alarm set; CS heater off; dining tables and counter clean; chairs on counter
- Receiving door locked and latched
- All outside doors locked

Appendix L

Cooler Temperature Log

Seward Co-op Grocery & Deli, Minneapolis, Minnesota

Cooler STA #	Check each cooler compartment, high and low		Date			Date			Date			Date		
	Description	N.R.	AM	MD	PM	AM	MD	PM	AM	MD	PM	AM	MD	PM
	Time													
Sta 1	PKG produce case	35												
Sta 2	Fresh fruit case	35												
Sta 3	Fresh produce case	36												
Sta 4	Deli case and cheese	35												
Sta 5	Deli cooler	35												
Sta 6	Fresh meat case	30												
Sta 7	Dairy case	35												
Sta 8	Produce walk-in cooler	36												
Sta 9	Cutting room	45												
Sta 10	Fruit case	35												
Sta 11	Bakery case	30												
Sta 12	Walk-in dairy cooler	34												
Sta 13	Kitchen walk-in cooler	34												
Sta 14	Meat walk-in cooler	33												
Sta 15	Cheese case	32												
Sta 16	Cheese display case	32												
Sta 17	Salad bar	34												
Sta 18	Service meat and seafood cases	26												
Sta 19	Frozen food	-10												
Sta 20	Frozen food	-10												
Sta 21	Frozen food													
Sta 22	Frozen meat	-10												
Sta 23	Walk-in freezer	-12												

Checklist completed by:

Appendix M

Daily Checklist

Seward Co-op Grocery & Deli, Minneapolis, Minnesota

DATE:	8 a.m.	3 p.m.	8 p.m.
Parking Lot			
Trash picked up			
Trash cans empty			
Carts collected			
Lights/sign functioning properly			
Awnings clean and in good repair			
Windows clean			
Trees/shrubs well maintained			
Vestibule/Foyer			
Carts clean and free of paper/debris			
Carts organized			
Floors clean			
Signs on doors in good condition			
No fingerprints or tape on glass doors			
Glass clean			
Brochure rack organized and filled			
Store Atmosphere			
All lights functioning			
Overhead lights			
Cooler cases			
Freezer cases			
Music audible but not too loud			
Air temperature appropriate			
Restrooms clean and stocked			
Floor mats in appropriate areas (deli/produce/entrances/door)			

Checklist completed by:

DATE:	8 a.m.	3 p.m.	8 p.m.
Produce			
No debris on floors			
Rugs in appropriate areas			
Rugs vacuumed			
Signs in good condition			
Country-of-origin designations visible			
Ice table stocked			
Salad bar well stocked			
Exterior of salad bar clean			
Lights dusted			
No junk on top of coolers			
Bulk			
Bags/containers stocked			
Bins clean			
Spill trays clean			
Herb/spice counter clean			
Bulk sink clean			
Refrigerated			
Door glass clean			
Shelves and floors clean			
Well stocked and faced			
Local/regional signs in place			
Packaged Grocery			
Shelves stocked and faced			
Shelves clean			
No debris on floors			
Local/regional signs in place			
End caps fronted and full			

Checklist completed by:

DATE:	8 a.m.	3 p.m.	8 p.m.
Frozen			
Door glass clean			
Shelves stocked and faced			
No tape on glass			
Wellness			
Service desk uncluttered			
Shelves stocked and faced			
Floors free of debris			
Meat			
Rotisserie chicken available			
Service cases set up			
Self-service case filled			
Freezer filled and fronted			
Product looks good			
Country-of-origin labeling visible			
Recipes/cooking instructions available			
Deli			
Service case glass clean			
Order boards and specials signs legible			
Case tops uncluttered			
Special-order/catering brochures available			
Bakery case plentiful			
Deli salad case clean and plentiful			
Grab-and-go faced and full (front to back)			
Premade sandwiches available			
Drinks available in deli case			
Deli special and soup available			
Water cooler full and stocked with cups			

Checklist completed by:

DATE:	8 a.m.	3 p.m.	8 p.m.
Seating area clean			
Tables wiped			
Floors free of debris			
Trash and recycling empty			
Hand-washing sink clean			
Windows clean			
Supplies/utensils stocked			
Front End			
Community bulletin board organized			
Service desk uncluttered; staff available			
Front registers clean; lane lights dusted			
Trash can empty			
Cardboard boxes organized			
Handbaskets returned to pickup points			
Cashier downtime used for cleaning/fronting			
Floral fresh and well merchandised			
Back of store			
Stockroom organized			
Pallet jacks/forklift stored/operated safely			
Floors clean and free of debris and obstacles			
Break room clean and free of trash			
Break room appliances turned off			
No storage near backroom air handler			
Front-end office			
Safe locked/secured			
Beer and wine storage locked			
Upstairs administrative offices locked			
Back door locked after 5 p.m.			

Appendix N Store Audit Form

A store audit allows you to evaluate the whole co-op, from operations to merchandising and retailing. A store audit can be used by team members in departments, by managers, or by nonemployees.

Needs Improvement	Acceptable	Good	Excellent	Characteristic	Comments
				BEFORE ENTERING STORE	
				Indicators that this store is different than others, including other natural food stores and supermarkets (for example, a welcome sign proclaiming the store's best attributes)	
				Parking lot and sidewalk cleanliness	
				Parking lot maintenance	
				Clean and attractive signage	
				Store hours clearly posted	
				Convenient and ample parking	
				Exterior lighting	
				UPON ENTERING STORE	
				Natural, warm, comfortable decor offering a positive first impression	
				Clean flooring	
				Adequate lighting	
				A festive air of merchandising excitement	
				Clean, ample, and well-maintained shopping carts	
				An ample supply of handbaskets at entry (and throughout the store)	
				Indicators that the store is an integral part of the community (such as community bulletin boards)	
				Personnel who are well groomed and cheerful	
				Well-maintained, clean, and tidy lobby	
				Motorized carts available for the disabled	
				A customer service center	

Needs Improvement	Acceptable	Good	Excellent	Characteristic	Comments
				MERCHANDISING	
				Consistent signage from department to department	
				Consistent colors throughout the store (signs, brochures, etc.)	
				Themes carried throughout the store	
				Coherent and exciting end caps	
				Available brochures	
				Appropriate lighting	
				A clear image	
				A clear co-op identity	
				Effective use of wall space for marketing	
				Effective use of cross merchandising	
				PRODUCE DEPARTMENT	
				Exceptional variety	
				Organic indicators or separate section	
				Refrigeration temperatures appropriate to product needs	
				Staff available for assistance	
				Helpful consumer information	
				Full, well-merchandised racks	
				Fresh, high-quality product	
				Clean, debris-free floors	

Needs Improvement	Acceptable	Good	Excellent	Characteristic	Comments
				GROCERY DEPARTMENT	
				Layout that exposes shoppers to the maximum range of products	
				Logical integration of nonfood categories and subcategories with food categories	
				Shelf fixture cleanliness	
				Magnetic sale-price signage	
				Complete and legible product price information	
				Exceptional variety	
				Well-stocked, well-faced shelves	
				Customer-friendly feature displays	
				Attractive, appropriate shelf sets	
				DELI DEPARTMENT	
				Immaculate cleanliness standards	
				Broad variety of products	
				Organized customer service	
				Garnishing that makes all products look sparkling fresh	
				Friendly, helpful personnel	
				A chance to sample unfamiliar products	
				Useful consumer information, such as recipes	
				Merchandising that is appetizing and visually appealing	
				BAKERY DEPARTMENT	
				Clear and appealing signage	
				Exceptionally clean display features	
				Cross-merchandising with other areas of the store	
				Good variety in confectionery and staple bagged goods	

Needs Improvement	Acceptable	Good	Excellent	Characteristic	Comments
				Appealing visible preparation area	
				Magnetic price features	
				Special decor touches	
				DAIRY DEPARTMENT	
				Immaculate cleanliness	
				Evidence of good product rotation	
				Low-fat and light options	
				Good variety in both dairy and ice cream substitutes	
				Excellent variety of specialty cheese	
				Colors complimentary to dairy products	
				BULK DEPARTMENT	
				Clean and well-maintained bins (free of old labels)	
				Well-stocked high-volume movers	
				Magnetic price features	
				Floor free from spilled product	
				Fresh product	
				Clearly marked signs and pricing	
				Convenient and ample bags, ties, and scales	
				Organic indicators	
				WELLNESS	
				Supplements arranged by manufacturer or health concern	
				Good selection and variety	
				Shelf and product cleanliness	
				Tight shelf sets	

Needs Improvement	Acceptable	Good	Excellent	Characteristic	Comments
				Well-stocked shelves	
				Well-faced shelves	
				Friendly, knowledgeable staff	
				FROZEN FOODS	
				Good variety	
				Tight shelf sets	
				Well-stocked shelves	
				Well-faced shelves	
				Good temperature (juice and ice cream not soft)	
				Logical categorization of products	
				Cleanliness of shelves and glass	
				Appropriate signage; not too much tape	
				CHEESE	
				Variety of domestic cheeses	
				Variety of imported cheeses	
				Product coded with freshness dates	
				Informative, interesting signage	
				Cross-merchandising	
				Ample stock levels with good product facing	
				NONFOODS (HOUSEHOLD SUNDRIES)	
				Selection ample for store mix	
				Appropriate signage	
				Ample inventory levels	
				Display	

Needs Improvement	Acceptable	Good	Excellent	Characteristic	Comments
				Cleanliness	
				Cross-merchandising	
				MEAT DEPARTMENT	
				Cleanliness	
				Lighting adequate and appropriately colored	
				Fresh product	
				Tight and clear wrapping	
				Natural and organic options clearly labeled	
				Source information clearly visible	
				Ample inventory and good selection	
				ALL DEPARTMENTS	
				High standards of product and equipment cleanliness	
				Employee courtesy	
				Adequate aisle widths; easy shopping	
				Merchandise placement for easy shopping; attractive, appropriate shelf sets	
				Product locator signage	
				Organic indicators	
				People who speak to me	
				Support of local suppliers	
				Allergens labeled	
				Good organic retail practices	
				INFORMATION TECHNOLOGY	
				POS technology sufficient for needs of business	
				Membership data integrated into POS system	

Needs Improvement	Acceptable	Good	Excellent	Characteristic	Comments
				Sufficient number of terminals for staff	
				In-house IT staff	
				Overall systems (accounting, human resources, purchasing, prepared foods) well integrated; computers can talk to each other	
				Efficient collection and use of time/attendance data	
				Efficient use of technology in purchasing	
				Overall IT system stable and secure	
				BACKROOM AREA	
				Odors that can affect the flavor of perishables	
				Lighting adequate for efficient work	
				Superclean perishables preparation area	
				Sanitary work methods	
				Efficient work methods	
				Level floors and coolers	
				Use of pallet jacks, stocking trucks, and tote boxes for low-cost handling	
				Efficient price-marking procedures and equipment	
				Good receiving procedures with careful but not excessive checking	
				Good receiving door security	
				Evidence of fire security	
				Safe working conditions	
				Organization for efficient stock retrieval	
				Ban on shopping carts in backroom	
				Refrigeration equipment maintenance schedule	
				Clean public restrooms	

Needs Improvement	Acceptable	Good	Excellent	Characteristic	Comments
				BREAK ROOM	
				Cleanliness	
				Comfortable chairs and tables	
				Teamwork-building signs	
				Posted policies on employee purchases	
				Employee/management communication tools	
				Happy people	
				Appropriate labor law posters	
				LEAVING THE STORE	
				Short check stand lines	
				Efficient and courteous checking	
				Bagging or carryout service offered	
				Proper bagging to avoid product damage	
				Segregated bagging of refrigerated items	
				Appropriate product merchandising at check stands	
				Consumer information at check stands	
				Neat and clean check stands	
				A sincere "thank you"	

Resources

Books

Leed, Theodore, and Gene German. *Food Merchandising: Principles and Practices*. Chain Store Age Books, 1973.

Underhill, Paco. *Why We Buy*. Simon and Schuster, 1999.

Magazines

Natural Foods Merchandiser : <http://naturalfoodsmerchandiser.com/>

Produce Merchandiser : <http://www.producemerchandising.com/>

Web Resources

Cooperative Grocers Information Network

Price Comparison Survey Toolbox: <http://www.cgin.coop/node/6296>

Food Marketing Institute

Category management: http://www.fmi.org/search/index.cfm?zoom_query=category+management&zoom_and=1&zoom_sort=0&zoom_per_page=10&zoom_cat%5B%5D=4

National Cooperative Grocers Association

Category management: <http://www.ncga.coop/category-management>

Training: <http://ncga.coop/performance/training/natural-foods-manual>

Merchandising support: <http://ncga.coop/food>

Planograms: <http://ncga.coop/cap/flyer>

Price Comparison Survey Toolbox: <http://ncga.coop/retail-tools>

Produce Manager's Toolbox: http://ncga.coop/produce_manager_toolbox

National Organic Program

Regulations: www.ams.usda.gov/nop

SPINS

Market basket: http://www.spins.com/news/SPINS30_Index.php

Notes

