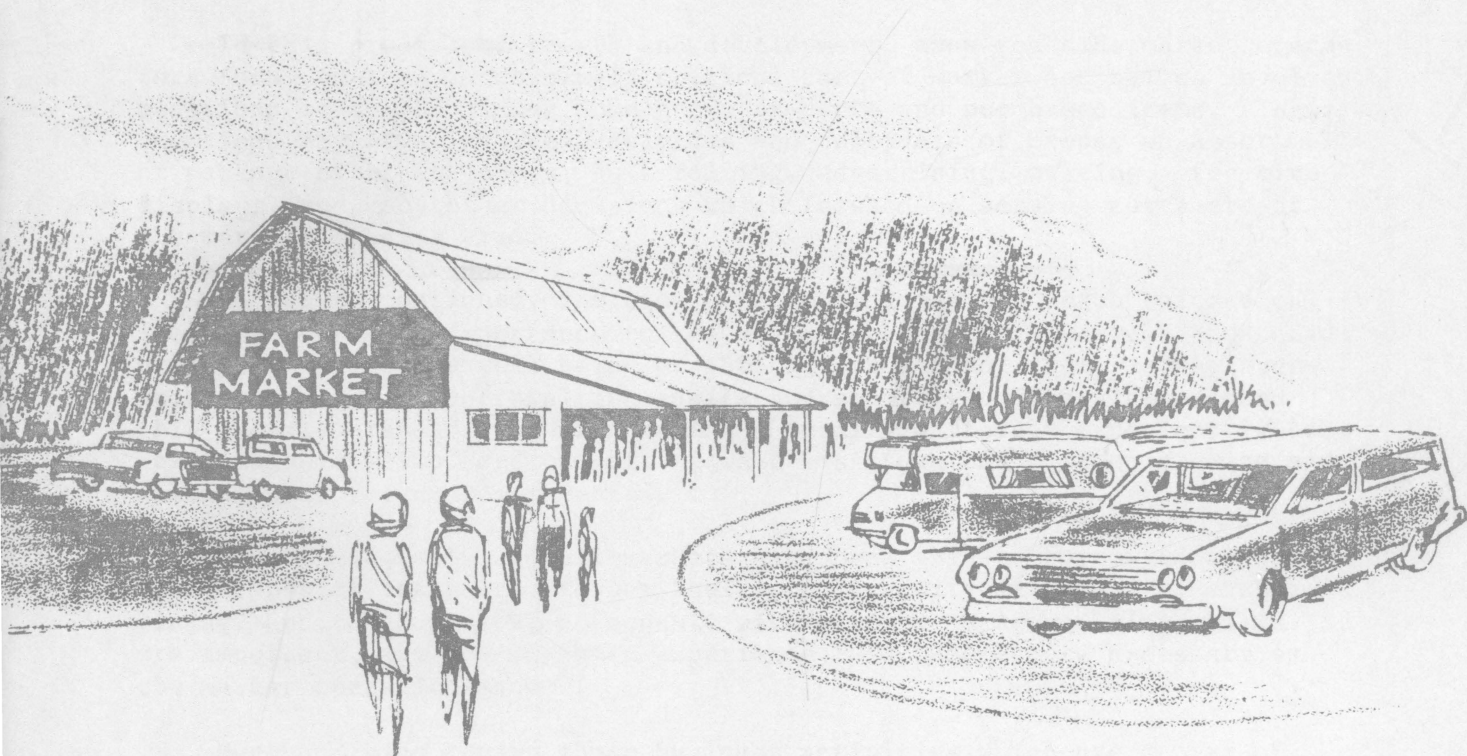


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# DEVELOPING MERCHANDISING PLANS FOR OHIO ROADSIDE MARKETS



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DEVELOPING MERCHANDISING PLANS  
FOR OHIO ROADSIDE MARKETS<sup>1/</sup>

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Many Ohio roadside markets had very humble beginnings. A table in the front yard, or a corner of a fruit or vegetable packing room may have served as the location for the first years of operation. Produce may have been displayed and sold in standard sized baskets with the owner quoting prices when asked.

As these small markets grew over the years, many operators built a sales room or building. Over time, either through consumer request or for a desire for a retail operation that would market a larger percentage of production, market seasons were lengthened and other products were purchased and sold.

In this process of growth and development, many roadside market operators found that an increasingly critical part of market operations involved questions of merchandising home grown products and purchased items. These questions may have involved varieties and cultivars of crops, an assortment of package sizes and types, bulk selling, advertising, pricing, effective displays, and many other decisions which focused on serving customers of the markets trading area.

As growth continued, the area of merchandising has begun to take on the same degree of importance to the market as crop or livestock production practices are to the well being of the farm operation. Some market operators have made this transition easily and smoothly. Others have found this retail merchandising orientation a totally different experience where less emphasis was placed on selling what was grown and more on growing and selling what the customer wanted.

Older, successful retail markets have been able to borrow ideas from other types of retailers, to use their own ingenuity in creative merchandising, and, on occasion, to consult with others. Merchandising skills are important, may develop with experience, and become more necessary as the market operation grows.

Merchandising covers those business activities which are a part of offering a range of choices and services which may contribute to customer satisfaction. Merchandising considers how a roadside market operation goes about maximizing customer satisfaction through buying, pricing and presenting food, other products, and related services in order to reach financial and other management objectives. The merchandising strategy should be tailored to the tastes and preferences of customers of the markets trading area.

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<sup>1/</sup> Although this publication has been developed specifically for roadside market audiences, the examples used for illustrative purposes are for this clientele, the general subject and the approach may be used by other individuals and groups interested in merchandising.

### Purpose of Publication

There are several decision categories that are important when developing a merchandising plan. The following categories are explained in this publication:

- Products Offered
- Processing and Packaging
- Inventory Control and Quality Maintenance
- Selling Price
- Display and Layout
- Advertising and Promotion
- Customer Services
- Housekeeping and Sanitation
- Employee Appearance and Behavior

The worksheets which follow can provide a mechanism by which market managers and employees can explore the merchandising considerations, objectives and information needed to improve total market performance through planning, coordinating and controlling market performance.

Each roadside operator may attempt to differentiate his market, to make his goods and services unique or different from those offered by competitors. Merchandising decisions may involve day to day activities such as display, or less frequent activities such as market layout.

Within those market policies, however, there is an opportunity for market managers to develop merchandising strategies which will contribute to achieving the market's goals. Perishable groups can be the locations within a market for management to exercise merchandising creativity which differentiates the market from others in the trading area.

The following pages outline examples of market decision categories where goals, guidelines and information flows have a bearing on merchandising the roadside market. Each market operator, with suggestions from key employees, should adapt these statements to the requirements of his or her own market. Other statements should be added which insure desirable performance. The ultimate payoff of planning, implementing and monitoring merchandising performance comes from satisfied customers who spread the word to other potential customers.

### Market Goals

Over time, and with experience, many operators of roadside markets develop a feel for and expectation of what will likely be the results of the coming year of roadside market operation. Relatively few, however, are able to separate the operational records of the market from other farm operations. Much of the marketing literature indicates that one of the prime differences between small business and large business operations lies in the area of planning - establishing, setting goals, and developing a strategy to reach those goals.

The examples of long range market objectives and goals which follow are only that - examples. Each market operator needs to develop his own set of goals that best fits his plans for the market operation. Goals should be specific (using numbers that can be measured) and establish a time period for achievement.

#### Examples of Long Range Goals

To operate the best roadside farm market in this area offering fresh, high quality fruits and vegetables and such other items that contribute to the acceptance of the market by customers in this trading area.

To increase sales 20% per year for the next five years.

To generate a return on investment of 15%.

#### Examples of Specific Market Operation Goals

Gross Margin (Actual) (% of Sales)	27%
Labor (% of Sales) (Including mngt. fee)	12%
Sales per man hour	\$32.00
Inventory Turnover (per year)	15
Net Profit (% of Sales)	6%
Return on Investment (Total Assets)	15%
Shrink (% of Sales) (Total value of loss of quantity, discards, markdowns, etc.)	6%

The achievement of market goals can provide the focus for merchandising activities in the market. It may be helpful to examine each decision area related to merchandising the market, identifying important considerations, establishing goals and policy, developing guidelines, and determining what information is necessary to insure that the desired performance is achieved. As the market grows, and a larger proportion of the merchandising activities is taken care of by employees, the establishment of written goals and guidelines may become more critical.

1. DECISION CATEGORY: PRODUCTS OFFERED

MARKET OBJECTIVES: Offer customers fresh, top quality fruits and vegetables and other products which enhance the image of the market as a sense of quality.

CONSIDERATIONS: Products, commodity groups, brand and size selection, buying practices, selection of new items, discontinuing items and lines.

PROCEDURES AND GUIDELINES WHICH PROVIDE DIRECTION FOR MANAGERS AND EMPLOYEES: All fruit and vegetable products which are "in season" locally will be offered for sale. A selection of several package sizes will be offered for most fruits and vegetables. Bulk displays will be used for fast moving items. The cheese case will stock 25 varieties of cheese in three different package sizes or offer a random weight selection of package sizes. The deli case will stock 18 kinds of cured sausage products.

CONTROLS—REPORTS AND INFORMATION NEEDED FOR MEASURING PERFORMANCE AND MAKING DECISIONS ON CHANGES—TIMING, FREQUENCY, METHOD: An up-to-date approved stock list will be maintained for all purchased products. These lists will carry cost and retail price. An item movement report will be prepared each week for eight weeks on all new products. Products which have low sales beyond an introductory period will be discontinued.

2. DECISION CATEGORY: INVENTORY CONTROL AND QUALITY MAINTENANCE

MARKET OBJECTIVES: Inventory will be rotated on a first-in, first-out (FIFO) basis.

CONSIDERATIONS: Ordering, cooler rotation policy, display conditions and rotation, display and cooler temperature control.

PROCEDURES AND GUIDELINES:

Product for backroom or cooler inventory will be coded (dated or slash-marked) to identify which has been in inventory the longest.

Merchandise in cooler and in storage area will be arranged so that product most recently received is at rear or bottom of stock.

Refrigerated displays will be operated to maintain a temperature of 34° in Cooler No. 1, and 50° in Cooler No. 2. Humidity in Cooler No. 1 will be kept to 90%.

Perishable displays will be examined every four hours to check quality, insure freshness and remove damaged and decayed items.

When restocking displays, new merchandise will be added after unsold product is moved to front of display, or to one side.

Items on display which are no longer top quality will be removed from the display and offered at reduced price.

CONTROLS:

Daily checks of temperatures in coolers and refrigerated fixtures.

Daily checks by manager of quality of perishables on display.

Weekly report of identify and quantity of all merchandise: (1) reduced in price, (2) discarded.

Weekly visual inventory prior to ordering new merchandise.

Inventory by count each three months and at other times when a margin control or inventory problem arises.

3. DECISION CATEGORY: PROCESSING AND PACKAGING

MARKET OBJECTIVES: Offer a range of package sizes and bulk displays that meet the needs of most customers. Schedule processing of perishable products (such as cider) so that an adequate supply of fresh product is ready for the busiest market days.

CONSIDERATIONS: Extent, timing and methods of cutting, trimming, preparing, mixing, packaging.

PROCEDURES AND  
GUIDELINES:

Package an adequate stock of fruits and vegetables for display and back up inventory to insure that displays can be maintained easily during busy market periods.

All displays will be stocked with product when the market opens.

CONTROLS:

Maintain a record of total sales and customer count by four-hour periods of each day open. Note periods of the day and days when displays were not adequately maintained identifying the reasons why.



4. DECISION CATEGORY: SELLING PRICE MARGINS

MARKET OBJECTIVES: Individual items will be priced to average a 33% margin on sales (50% markup on cost) for fresh fruits and vegetables (before shrink, markdowns and other losses). All displays and items will carry legible price markings.

CONSIDERATIONS: Margins on individual items, family and commodity groups, selecting and pricing specials.

PROCEDURES  
AND GUIDELINES:

Price items on which movement is regular and can be forecast with accuracy to achieve the standard margin on sales of 33% (over wholesale value or purchase price).

Price items that are erratic in sales and subject to rapid deterioration to achieve a margin on sales at 40%.

Limit deep price cut advertised specials to two carefully selected items.

Price non-perishable items which move rapidly to achieve a margin of 25% on sales.

Price non-perishable items which have erratic or slow movement at 33% margin on sales.

Cost farm production into market at wholesale value.

CONTROLS:

Maintain, through before and after inventory, weekly unit movement and sales of advertised specials.

Maintain an up to date approved item list with current cost (wholesale value or purchase price) and retail price.

Summarize weekly market and department sales for the week with customer count and average sales per customer.

Conduct inventory at end of each three months and compare actual gross margin with planned gross margin.

When shrink exceeds 6%, conduct weekly inventories until problem is taken care of.

5. DECISION CATEGORY: DISPLAY AND LAYOUT

MARKET OBJECTIVES: Arrange market layout and displays to assure that customers will shop the entire market.

CONSIDERATIONS: Location of items by use, commodity groups, tie in sales, space allocation, methods of display, policy displays, price marking.

PROCEDURES AND GUIDELINES: Keep items that have similar use (example-salad vegetables) located together.  
Disperse high demand items throughout the market.  
Locate the items for which the market is best known at the rear of the market.  
Use bulk displays for seasonal items with high sales.  
Locate a high margin impulse sales item next to a staple item (example-salad dressing next to salad displays).  
Price mark all items and displays.  
Reallocate display space as seasonal items come into prominence.

CONTROLS: Develop a plannogram each month which allocates display space and identifies special displays for that period of the year.

6. DECISION CATEGORY: ADVERTISING AND PROMOTION

MARKET OBJECTIVES: Reach the maximum number of customers in the trading area with effective messages about the market on a budget that does not exceed 2% of sales.

CONSIDERATIONS: Media, point of sales, number of specialized items, other promotional techniques.

PROCEDURES AND  
GUIDELINES:

Carry at least one classified ad in the weekly community newspaper.

Place a 3", two column display advertisement on Friday in the daily paper.

Use spot announcements around the most popular homemaker radio program on WXXX for seasonal crop information.

Develop a one-page printed market information sheet listing market features for the next two weeks to be distributed to customers.

Invite reporter(s) to take pictures of timely events on farm or in market.

CONTROLS:

Each month offer a coupon feature in display ads and in printed market information sheet to measure effectiveness of this advertising.

7. DECISION CATEGORY: CUSTOMER SERVICES

MARKET OBJECTIVES: To provide a market atmosphere that customers find pleasant and satisfying.

CONSIDERATIONS: Educational, informative, convenience, individualized, methods of providing service.

PROCEDURES AND GUIDELINES: Provide carry-out service for large orders that customers find difficult to handle.  
Provide customers information on uses of products and varieties.  
To assist customers who wish help in making decisions on what to buy and how to use the product.  
Provide coffee, cider, a snack item at a small charge.  
Insure that all customers are acknowledged courteously upon entering the market.

CONTROLS: Record customer comments about the market and take action on those comments which will improve market operations.  
Once a year, distribute a questionnaire to customers which inquires about market products and services.

8. DECISION CATEGORY: HOUSEKEEPING AND SANITATION

MARKET OBJECTIVE: To maintain product, equipment and market cleanliness standards that will meet the expectations of shoppers in this area.

CONSIDERATIONS: Cleaning of equipment and facilities, maintaining wholesomeness of food.

PROCEDURES AND  
GUIDELINES:

All display shelves will be cleaned weekly. All refrigerated display equipment will be completely cleaned and sanitized as needed-but at least once a month. All perishable displays will be redone daily. All floors will be swept and cleaned daily, and wet cleaned as needed.

CONTROLS: Visual checks upon opening each day. Weekly check list of housekeeping and sanitation to be reviewed with employees.

9. DECISION CATEGORY: EMPLOYEE APPEARANCE AND BEHAVIOR

MARKET OBJECTIVES: Create a favorable image of the market through clean, courteous, friendly, helpful employees.

CONSIDERATIONS: Attire, grooming, attitude, behavior.

PROCEDURES AND GUIDELINES: Acknowledge each customer upon arrival by name, if possible, but with a smile and a nod at minimum.  
All employees will wear name tags.  
Personal cleanliness must be maintained (clean finger nails, clean clothes, clean, well groomed hair).  
Offer carryout help when quantities purchased will obviously cause difficulties for the customer leaving the market.  
Offer assistance to customers who request help or are obviously in need of assistance in making purchasing decisions.

CONTROLS: Provide each employee with a written description of expectations and requirements of dress, personal appearance, services offered customers, essentials of employee-customer relations, and other areas where employees may affect customer perceptions of the market.  
Commend employees publicly who maintain a desirable level of appearance, cleanliness and attitude.  
Counsel those employees who do not measure up to standards and record observations on personnel record.  
Have employees each day turn in written reports outlining customer questions and comments about products, services and market operations.

Summary & Conclusions

Roadside market operators continue to improve their merchandising practices. The outline of merchandising plans presented here is useful for management purposes. The importance of planning, developing procedures and guidelines for checking performance becomes more critical as the market grows. As the market expands, the market operator is much more likely to become a manager of employees time and skills. In this setting communication of goals and performance standards is likely to require a greater time commitment from the operator.

Although the planning and measurement of merchandising performance can be approached from an organized objective viewpoint, merchandising is still as much an art as a science. The importance of using creative and unique merchandising methods which help insure customer interest by the market operator and employees of the market is important.

The focus of this creative art of merchandising is providing the customer with a choice of products where freshness and quality is emphasized.

Customers of roadside markets surveyed in Ohio in 1977 indicated they placed great emphasis on the expectation for quality and freshness. They also expected a choice of products and package sizes. Cleanliness of the market and product was also given priority. All of these customer expectations can be met by a rigorous, vigorous, creative merchandising program.

This publication should be helpful in organizing the merchandising of roadside markets. It should be particularly helpful in making decisions that lead to a greater number of satisfied customers. Satisfying more and more customers at a profit to you is the name of the game of merchandising.