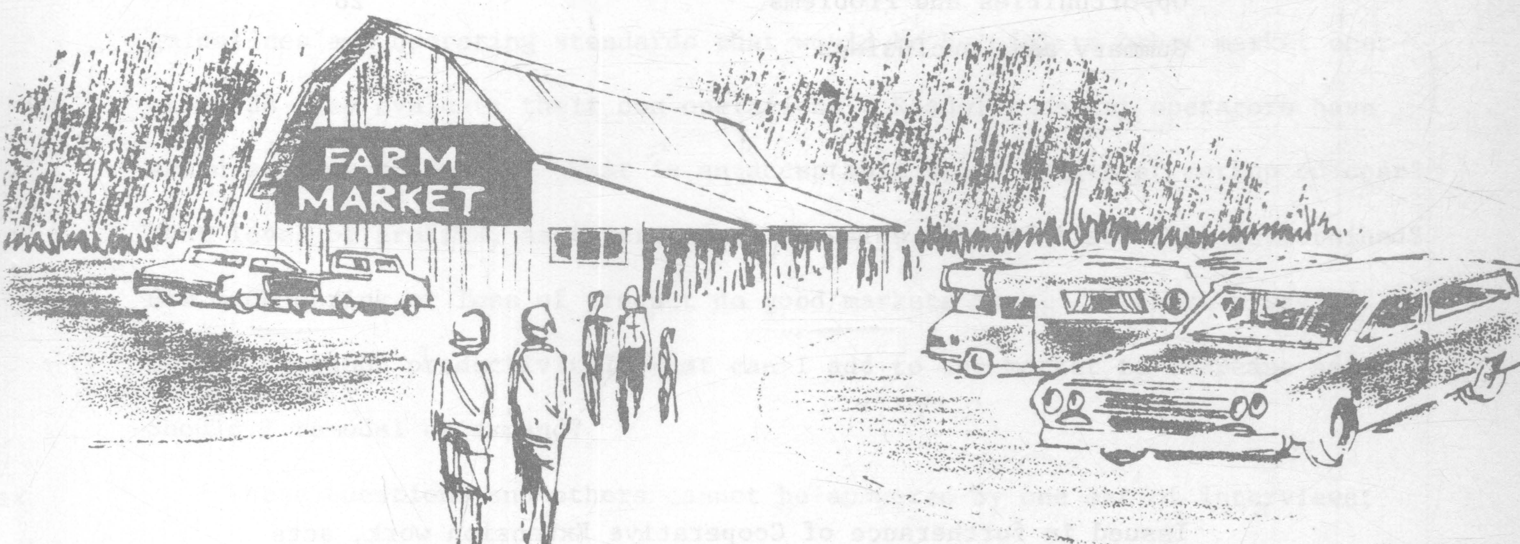
ESS 571
MM 386

OHIO ROADSIDE MARKET MANAGEMENT AND MARKETING PRACTICES



COOPERATIVE EXTENSION SERVICE - THE OHIO STATE UNIVERSITY

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OHIO ROADSIDE MARKET MANAGEMENT AND MARKETING PRACTICES

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In early 1978, twelve roadside market operators across Ohio volunteered to take part in an intensive three-hour interview about their market operations. Information was gathered about parking, hours of operation, facilities, organization, specialties of the markets, merchandising ideas, sales, pricing, labor, advertising, market policies and perceived opportunities and problem areas.

One of the objectives of this inquiry was to begin to develop a set of guidelines and operating standards that would be helpful to other market operators as they evaluate their own operations. Roadside market operators have asked such questions as: What is an acceptable gross margin or markup on cost? What level of profits, as a percentage of sales, can realistically be attained? How much shrink or loss of product do good markets have? Is there a way of measuring labor productivity? What can I add to the market to increase sales? Should I remodel or expand?

These questions and others cannot be answered by one set of interviews; nor can much of the flavor of successful managers be put on paper. However, the information gathered from these twelve operators may be helpful to other roadside market managers.

The owners who were interviewed operated markets in which sales per year ranged from $30,000 to over $600,000. These market operators indicated that over the years their market operations, on the average, had increased their net income over 50%, compared with what that income might have been if the retail market had not existed. They also estimate that, on the average, the farm retail market accounted for 67% of all sales and for 61% of their net income in 1977. Net profits of market operations were estimated to be 6% of total market sales. These figures were estimates by most of the market operators, as only three owners had market records entirely separated from farm records. Only two of the markets maintained records from which information helpful in making many management decisions could be obtained. The results for markets with separate farm and market records indicated that net profits of 6% on sales may be high.

MARKET LOCATION

The average population of the area within ten miles of the markets surveyed was about 79,000. This population figure was strongly influenced by three markets which were near major metropolitan areas. Five of the markets had less than 50,000 people located within ten miles.

All markets were located on paved roads. Seventy-five percent were on two-lane highways, 25% on four-lane or divided highways. Half of the markets were on county roads, one on a township road, three on state highways, and two on a US-state highway.

Fifty percent of the markets had paved parking lots. Customer parking was at the roadside for five of the markets, the balance had a parking lot separated from the highway. The market's parking capacity averaged 29 cars.

The markets surveyed had an average of four competing markets within ten miles. Of these, 33% were within one mile of the market surveyed. An additional 25% were within five miles.

The markets had signs at the market ranging in size from 3' x 5' to 8' x 24'. Height of the signs above ground ranged from 2' x 10'. Seventy-five percent of the markets also had a sign or signs on roads approaching the market. Those which had no signs on roads approaching the market had been prohibited from doing so by zoning regulations. The number of approach signs ranged from one to twelve per market, with an average of 3.7 per market. Fifty percent of the approach signs were located within one mile of the market. No market had signs over ten miles away. Increasingly, off-premise signs are being restricted. In addition to the zoning problems, many communities are beginning to consider advertising signs a form of visual pollution. Highway departments in some states are also restricting off-premise signs. It may become more advisable to include small maps in a market's printed advertising.

Seventy-five percent of these markets were open all year. The balance were open for varying periods from mid-summer to late fall. Two-thirds of the markets were open on Sunday. One market is open only on Friday, Saturday and Sunday, after years of operating seven days a week. Sales dropped less than 20%, labor costs were sharply reduced, and net profits were higher with the three-day-a-week opening. This market, however, appears to be an exception to present trends of lengthening the season, days, and hours open.

Seventy-five percent of the markets were open from 9:00 a.m. until 5:00 p.m. The longest hours of operation daily were from 7:00 a.m. to 8:00 p.m.

MARKET FACILITIES AND INVESTMENT

Three of the roadside market buildings were less than ten years old, two of the market buildings were over 50 years old. The average age of the building was 27 years. Nine of the markets were of frame construction, three were masonry. Nine of the buildings had been built for a farm market. Three had been converted from other uses (barn, one-room school, fruit storage). Three of the markets had been remodeled or expanded within the last year. Five of the markets had been remodeled or expanded within two years. All markets had been expanded in size an average of 2.2 times.

The sales area of these roadside markets ranged from less than 1,000 square feet to over 5,000 square feet. The sales area of all the markets averaged 1,833 square feet. The work area associated with the market averaged 1,300 square feet, the storage area averaged 1,850 square feet. The total of sales, work and storage area of these markets averaged 4,983 square feet.

The average value of the market building was $45,500.

Refrigerated coolers associated with the markets averaged 1,178 square feet, with a temperature range in the coolers of from 33 to 45 degrees. Several of the markets had more than one cooler, operating at temperatures best suited to the product stored in that cooler. Only four of the market operators responded to a question about the humidity level in the regrigerated coolers. The humidity in these coolers ranged from 50% to 95%. The value of refrigerated coolers per market averaged $15,170. Two of the markets had freezer storage boxes for frozen product, averaging 143 square feet in size.

The markets had a supply inventory valued at an average of $2,526 and a merchandise inventory averaging $12,617.

Equipment associated with the markets had a value ranging among markets from $575 to $153,000 for an average per market for equipment of $45,465. The average total investement per market was:

Buildings	$ 45,500
Inventory--Supplies	2,526
Inventory--Merchandise	12,617
Equipment	45,465
	$106,108

This figure represented present depreciated value as derived from tax values, records and the operator's best judgment.

All markets had cash registers. In fact, all markets except one had at least two registers. Three of the markets had three cash registers. The number of cash registers per market averaged 2.25.

These markets averaged 3.4 weighing scales per market, with a range of two to eight scales per market. Most markets located one scale at or very near the cash register.

Ten of the markets used fluorescent lighting, two used incandescent lighting. In addition, seven of the markets also used some form of accent lighting such as back lighting or spot lighting.

OTHER EQUIPMENT

Other equipment used in some of the markets included:

Meat Slicer	6 markets
Pallet Jack	6 markets
Oven	4 markets
Fork Lift	3 markets
Ice Machine	2 markets
Trucks	2 markets
Bread Slicer	1 market
Disposal	1 market
Cider Press	1 market
Cider Freezer	1 market
Carts	1 market
Flour Grinder	1 market
Juice Machine	1 market
Apple Washer-Grader	1 market
Micro-wave Oven	1 market
Mixer	1 market
Coffee Maker	1 market

BUSINESS ORGANIZATION AND MARKET RECORDS

Three markets maintained market records separate from the farm operations. Two of these operations were able to produce profitability figures for the market. Two of the markets had sufficient information to estimate shrink. Shrink is a term used to describe loss of product weight and value from all sources. Common sources of shrink are weight loss, quality deterioration, pricing errors, shoplifting and employee theft.

All day-to-day market records were kept by the market manager. Six of the market operators had an accountant prepare their year-end statement. Six prepared their own year-end statement.

Four of the markets operated as entreprenuers, four operated as partnerships, and four were incorporated.

Operators were asked to rate the importance of the various uses of market records on a scale of one to five, where one is most important. Table 1 summarizes the results.

TABLE 1

HOW MARKET RECORDS ARE USED

	Relative Importance				
	Most 1	2	3	4	Least 5
	(number of markets)				
Tax Purposes	8	1	2		1
Cost Control	2	5		3	2
Plan Future Changes		3	3	3	3
Analyze Annual Results	1	2	5	1	3
Managing Week to Week	1	1	2	5	3

The information in Table 1 indicates considerable importance is placed on the use of records for tax purposes, with lower priority assigned to providing information for management purposes. Although records for tax purposes are important, records should generate information useful to market operators for both short and long range decision-making. This point is emphasized in a recent Cooperative Extension Service bulletin.[1/]

SOURCES OF INFORMATION AND PRODUCTS

As roadside markets grow and mature, managers seem to become more interested in identifying merchandising ideas they can put to work in their own market. The market operators interviewed credited the following as sources of information on products for their market:

Number 1, and most important -- Other Roadside Market Operators
Number 2 -- Ohio Roadside Marketing Conference
Number 3 -- Salesmen
Number 4 -- Cooperative Extension Service

The factors influencing their decision on which products to add were identified as: (in order of importance)

1) "fit" into the present market
2) profit potential
3) customer demand or requests
4) space available
5) shelf life
6) quality level
7) reliable supply
8) competitive price
9) "gut" feeling

The sources of products of these markets are summarized in Table 2. These markets all had a farm base, which is reflected in the fact that all of these markets had farm produced fruits and vegetables.

1/ "Financial Planning for Roadside Markets," MM381, Cooperative Extension Service, 2120 Fyffe Rd., Columbus, Ohio, 43210.

TABLE 2

SOURCES OF PRODUCTS SOLD IN THE MARKET*

	Number of Markets				
	Farm	Other Farmers	Control Market	Whole-saler	Manufacturer/ Processor
Fruits and Vegetables	12	8	7	4	
Cheese	1	-	1	7	4
Meats		-	-	5	4
Bakery	1	-	-	3	3
Canned Foods	1	-	2	6	2
Garden Supplies	-	-	1	4	-
Flowers and Plants	-	7	1	5	1
Candy	3	4	-	4	-
Cider and Juices	3	4	-	4	-
Eggs	2	1			

*Markets mav have more than one source.

MARKET SPECIALTIES AND PERCEIVED QUALITY LEVEL

Market operators were asked to identify their market specialty. A few markets felt they were well-known for more than one item or group of items. The summary of specialties is as follows:

Apples	6 markets
Sweet corn	3 markets
Cider	2 markets
Pumpkins	1 market
Strawberries	1 market
Pies	1 market
Baked goods	1 market
Eggs	1 market
Plants	1 market
Potatoes	1 market
Peaches	1 market
Cherries	1 market

This listing tends to emphasize that there is little standardization among roadside markets. Most markets will tend to be identified with one or two specialties, as perceived by both the operator and the customer.

Market operators were also asked to identify their view of the quality level of various product groups offered for sale in their market. They were given a choice of three levels of quality. Prestige level referred to a superior grade, something better than "Grade A". The second level referred to a "Grade A". No market operator identified a line of products as the third level of quality. Table 3 summarizes the perceived levels of quality for product lines carried in the markets.

TABLE 3

PERCEIVED LEVEL OF QUALITY OF PRODUCTS IN MARKET

	Number of Markets	
	Prestige Quality	Grade A
Fruits and Vegetables	4	8
Cheese	2	5
Meats	3	3
Bakery	7	1
Canned Foods	4	5
Garden Supplies	-	5
Flowers and Plants	2	5
Candy	3	5
Cider and Juices	4	5
Eggs	1	2

Perhaps there is an opportunity for additional market operators to consider upgrading more of their product lines into a "prestige" quality level. This move, if successful, could make the market less vulnerable to many competitors. There are risks, however, in pursuing "market segmentation"[2/] too aggressively. Appealing only to those customers who are extremely quality conscious places restrictions on getting maximum sales. Each market operator needs to survey his market area carefully and "test market" before deciding to sell only the "top of the line".

MERCHANDISING IDEAS

Market operators were asked to identify the three most successful merchandising ideas used during the past three years. Most operators interpreted this question in terms of items added to the market. Merchandising ideas identified were:

Adding bulk candy
Selling plants
Offering samples of featured products
Selling pies
Reducing days open from seven to three
Bulk, iced displays of corn
Keeping displays full
Adding cheese and sausage meats
Selling greenery and flowering plants all year
Selling bee supplies
Adding complementary products
Holding a corn festival
Selling wood-burning stoves
Doing more advertising
Adding popcorn
More bulk displays, less packaging

[2/] Market segmentation refers to a marketing approach where a manager deliberately plans to appeal only to a segment of the population rather than trying to appeal to everyone. Some marketing segments are based on income, some on family size, some on age, some on sex, and other identifiable groups in the population.

Selling peaches
Offering frozen cider all year
Offer hot baked potatoes with butter as samples
Selling brown eggs
New store layout
Adding pick-your-own strawberries
Cage tomatoes (for pick-your-own and for the market)
Radio advertising
Descriptive signs on displays in market

This idea list further emphasizes the diverse character of roadside markets. It also helps explain why roadside market managers are the predominant source of information for other market managers.

MARKET SALES

The markets surveyed had annual sales ranging from $30,000 to over $600,000. Half of these markets were included in the range of $100,000 to $250,000 sales. The average annual sales for the group was $229,185.

The yearly sales per square foot of sales area was $171. One market had sales per square foot of over $750. Sales per square foot of sales area can be one measure of the productivity of the market facility. Because of the seasonal characteristic of many markets, a useful measure for roadside markets may be the sales per square foot during the busiest month. The average sales per square foot for highest monthly sales was $21.12 for the markets surveyed.

Market observations, manager's evaluations, other retail store information in addition to these limited data suggest that when sales per square foot of the sales area exceeds $30.00 per month during the busiest month, the owner should consider whether expansion of the market is desirable. One market in this group had sales in the highest sales month of about $50.00 per square foot.

They had real problems with maintaining displays, long lines at check-out, and inadequate space during this period.

Most of the roadside markets surveyed grew from a farm background where fruits or vegetables were produced. This is reflected in the information presented in Table 4.

TABLE 4

PERCENTAGE OF MARKET SALES BY PRODUCT GROUPS

	% of Sales					% of Markets Selling
	0-10%	11-20%	21-30%	40-70%	71-90%	
Fruits and Vegetables		1	1	5	5	100%
Cheese	6	1	-	-	-	58
Meats	5	-	-	-	-	42
Bakery	5	3	-	-	-	67
Canned Foods	7	-	-	-	-	58
Garden Supplies	5	-	-	-	-	42
Flowers and Plants	9	-	-	-	-	75
Candy	8	2	-	-	-	83
Cider and Juices	7	2	-	-	-	75
Eggs	1	-	2	-	-	25

With the exception of one market where a limited amount of food was processed all other product groups identified in Table 4 were purchased for resale except fruits and vegetables. Table 5 summarizes the contribution of home farm produced fruits and vegetables to the total sales of the market.

TABLE 5

PERCENTAGE OF SALES FROM PRODUCTS PRODUCED ON HOME FARM

	Percent of Total Sales								
	1-10	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100
Fruits and Vegetables	1	1	1	1	1	1	2	3	1
Canned Foods	1								

This further emphasizes the farm background of these markets and indicates that even after years of market operation, farm production remains a major source of product sales for these markets.

The seasonal sales pattern of the markets surveyed also reflects the farm production base in market sales by month. This information is presented in Table 6.

TABLE 6

PERCENTAGE OF ANNUAL MARKET SALES BY MONTHS

	Percent of Sales							
	0	1-5%	6-10%	11-15%	16-20%	21-30%	31-35%	41-45%
January	1	10	1					
February	1	10	1					
March	1	8	3					
April	1	7	2	1	1			
May		4	4	4				
June		3	3	4	1	1		
July		2	5	4	1			
August		1	4	3	3	1		
September		1	3	3	3	1		1
October		1	4	1	3	1	1	1
November		3	5	3	1			
December	1	4	4	3				

Most of these markets have experienced a sales increase during the past three years. Only one market reported no increase. This market has been in the process of shifting to a pick-your-own operation, and is de-emphasizing market sales. The average increase per year in sales for all markets for the last three years was 12.6%. About half this amount was due to inflation. The real growth rate (inflation eliminated) of sales for these markets was about 7% per year.

PRICING

Most market operators in this survey used a standard percent markup on cost to arrive at a selling price. One market manager, for example, marked up cost of most items 40% to arrive at a selling price. Table 7 summarizes the markup on cost as reported as pricing goals by these markets.

TABLE 7

PRICING GOALS AS EXPRESSED AS PERCENT MARKUP ON COST

% Markup on Cost	Number of Markets
21-25%	1
26-30%	1
31-40%	7
41-50%	2
51-60%	1

The average markup on cost for all markets was 39.5%.

An example of markup on cost:

Cost of 1 peck of peaches	$2.00
Markup on 40% (multiply by 1.40)	x 1.40
Selling Price	$2.80

Shrink and Markup on Cost

Most of these market managers reported they thought they were achieving the same markup on cost for sales of all products as the amount they were marking up individual items. Because of shrink (loss of weight, discards, quality loss, errors, shoplifting and employee theft), the actual markup achieved for the total market is somewhat less than the target markups on cost used in pricing. The two markets which had adequate records for determining actual markups and margins over a period of time, planned for an average markup of about 50%. These two markets achieved an actual markup on cost over a years time of about 38%.

The use of the standard markup-on-cost method of determining retail prices has other disadvantages. Each product and each product line has its own retail price range. A very perishable product needs a higher markup to achieve the same end result than a non-perishable or less-perishable item. A slow moving item needs a higher markup than a fast moving item. To be competitive and to attain desirable operating results, a variable markup approach to the pricing program may be desirable.

An Alternative Approach to Pricing

Most retail businesses aim at achieving a target gross margin percentage on sales. One roadside market had its overall objective to price for an average gross margin on sales of 34%. Over a years time, this market's actual gross margin was 27.6%. The difference between 34.0% and 27.6% was 6.4%. This represented the shrink factor for this market. It is doubtful that shrink in a roadside market can be reduced below 5%. Gross margin on sales represents the difference between cost and selling price. On a percentage basis, if the sales price of a basket of peaches is $3.35 with a cost of $2.00, the gross margin is $1.35. In percentage, $1.35 divided by the sales price of $3.35 gives a 40.3% gross margin on sales. An example of figuring gross margin on sales is:

Cost of 1 peck of peaches	$ 2.00
Desired Gross Margin (perishable item)	40% on sales
Cost of item equals	60%
Divide Cost($2.00) by .60	(60% converted to decimal)
Retail price	$ 3.33

To be able to produce a satisfactory profit on a specified sales volume with present day costs, a roadside market's actual gross margin percentage over a years time may need to be in the 28-30% range. If a shrink factor of 6% is added to 30%, pricing individual items would average about 36% gross margin on sales. If the sales volume is adequate, setting prices in a roadside market to average 36% gross margin on sales should result in maintaining a price structure competitive with supermarkets and other retailers while producing an adequate return to labor and management. In a few communities, a gross margin goal of 36% may need to be reduced 2 or 3% for competitive reasons.

Pricing in Surveyed Roadside Markets

Standard markup percentages were converted to gross margin percentages for the markets surveyed. Gross margin percentages by product lines for these markets are shown in Table 8. These gross margins indicate too little relationship of margins and perishability.

TABLE 8

TARGET GROSS MARGIN PERCENTAGES BY PRODUCT LINES

	Percent of Sales	
	Gross Margin Average for All Markets	Range Among Markets
Fruits and Vegetables	34%	from 23 to 40%
Cheese, Dairy, Meats	32.6	29 to 40
Bakery	37.0	34 to 40
Canned Foods	34.0	23 to 43
Garden Supplies	32.3	20 to 40
Flowers and Nursery	38.9	29 to 50
Candy	39.0	30 to 50

Roadside market operators should consider the use of variable pricing margins. When using variable margins, each product is examined to determine what margin will best reflect the quality offered, competition, and effect on sales. The average of all the variable margins should be such that the total will result in achieving the desired gross margin of 28-30%.

The pricing policy in a few markets resulted in extremely low margins. It is doubtful that these markets were the profit centers that they could have been with more adequate price management.

Sources of Price Information

Markets in the survey reported sources of price information were about equally divided between other roadside markets, using a standard markup on cost, supermarkets, and other competition. One third of the markets reported no price checking of other markets or stores. All markets reported that it was policy to have a price on each item. In addition, four markets had prices at the register. Ten markets also used some price signs on the displays.

Pricing Methods

The markets surveyed reported using a variety of ways to determine prices, although the use of a standard markup on costs predominated.

TABLE 9

HOW RETAIL PRICE IS DETERMINED

	Number of Markets				
Produce Line	Standard Markup on Cost	Standard Margin on Sales	Variable Margins	Competitive with Other Roadside Markets	Competitive with Supermarkets
Fruits and Vegetables	10	2	6	3	1
Cheese, Dairy and Meat	8	-	-	-	
Bakery	6	-	1	-	
Canned Foods	1	1	1	1	
Garden Supplies	6	1	1	1	
Flowers and Nursery	5	1	2	2	
Candy	8	1	1	1	

It is evident that the market operators are using a combination of price determinants as they search for a retail price that is competitive while providing the operator with an adequate income and a return on his investment.

Price Marking Individual Items

Roadside market operators were using a variety of methods to place prices on individual items. Magic markers were popular. The stick stamp, where an individual price is imprinted on the package from a set of individually priced stick shaped rubber stamps has been used by a few. A changeable stamp was also used. The printer label gun was beginning to be used in roadside markets.
A stick-on label was also used in some markets.

TABLE 10

HOW PRICES ARE MARKED ON INDIVIDUAL ITEMS

	Number of Markets using					
	Grease Pencil	Magic Marker	Stick	Changeable Stamp	Gun Printer	Label
Fruits and Vegetables	1	9	-	1	3	2
Cheese, Dairy, Meats	-	3	1	-	4	8
Bakery	-	4	2	-	1	-
Canned Foods	1	4	3	2	2	1
Garden Supplies	9	1	1			
Flowers and Nursery	-	5	1	-	2	1
Candy	-	6	1	-	3	

LABOR

Paid labor costs as a percentage of sales for the markets surveyed averaged 9.7%. The range among markets was 1.3% to 13.8%. In dollars, labor costs range from $1200 per year for the smallest market to $80,000 for the market having the largest sales volume. Wages, other than for the market manager, clustered around the minimum wage level.

Sources of labor supply for sull-time employees, in order of importance, were: 1) friends, 2) friends of employees, 3) students, 4) farm workers, and 5) relatives. Sources of part-time workers, in order of importance, were: 1) friends, 2) students, 3) friends of employees, 4) farm help, and 5) relatives.

Most of these roadside markets offered no employee incentive program. One market operator stated he gave merit raises, another offered free produce to employees.

Five markets gave full-time employees vacations, four markets offered employees discounts (10-20%) on products sold by the market, one market had a hospitalization plan for employees, one had a retirement program for full-time employees, and one market gave employees free produce.

Employee turnover varied among markets from almost none to 90% per year. The average employee turnover for all markets was 25.6% per year. No market had a formal training program for employees, but all managers reported they trained employees on an informal basis. One-third of the market managers said they also used older employees to help train new employees.

One market offered new employees an information sheet about rules to be followed. Two markets had a policy manual for the market which was available in the market, but not distributed to employees.

Sales per man hour is an example of a standard that may measure employee productivity. This is secured by dividing total hours worked (weekly, monthly or annually) into total market sales for the same period.

The average sales per man hour for the markets surveyed was $30.38.

ADVERTISING AND PROMOTION

Most of the surveyed farm roadside markets did some advertising. Many managers agreed that the best form of advertising is favorable word of mouth, that is, person to person comments about the market. However, most markets used paid advertising as well.

Advertising expenditures for the surveyed markets ranged from $70 per year to $6,000 per year. As a percent of sales, this ranged from .04% to 4%. The average for all markets was 1.2% of sales.

Six markets advertised all year. Over 80% of the markets advertised from April through October. All but one market advertised in September, the peak month. The information in Table 11 indicates the distribution of advertising through the year and the media that was used. Newspapers were the predominant advertising media, followed by radio.

TABLE 11

ADVERTISING MEDIA AND DISTRIBUTION BY MONTHS

Media	Number of Markets Advertising in Month of: Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Daily Paper	4	4	5	5	5	5	6	6	7	6	5	5
Weekly Paper	5	5	6	6	4	4	6	6	6	6	5	5
Handout	1	1	1	1	-	-	1	1	1	1	1	1
Mail Flyer	-	-	-	-	-	-	-	-	2	2	1	1
Radio	1	1	1	2	3	3	3	4	4	4	3	2
TV	-	-	-	1	1	1	1	1	1	1	-	-

Roadside market operators also promoted their market by other means. Promotions used by these markets include:

Tours of market and farm,

Market bulletins and leaflets,

Give-aways,

Roasts and bakes,

Donations to community groups,

Exhibits,

Sponsor community events and teams

POLICIES ON MARKET SECURITY

Market security is a term used to describe what is done to protect the market, the merchandise, the employees and the money from destruction, harm, damage or theft.

Many roadside market managers have not encountered major problems of which they are aware. Others have become more concerned about security after a bad experience. Market operators were asked what policy they had in the market about various security issues.

Shoplifting

Six markets had no policy about shoplifting. One market prosecuted offenders, two markets watched suspects carefully, one market threw them out, two markets approached suspects. Managers should check with their local law enforcement agency to become aware of proper procedures and of the legal implications in apprehending shoplifters.

Cash Over and Short

Seven markets had no policy regarding how to handle money from the cash register which checked out "over" or "short". Four markets checked daily. One market reported accounting for it in the books. Security specialists recommend issuing a new change drawer whenever the check-out person is changed. Otherwise, no one person can be held responsible for discrepancies.

Cash on Premises

It may be desirable to place a dollar limit on the amount of money on the premises. Two markets reported no policy. Three markets moved the money whenever there was time. One market kept no money on premises after closing. Six markets kept set amounts on premises, primarily for making change.

Time of Bank Deposits

Four markets made bank deposits twice a day, three used night deposits, two had no set routine, one deposited money whenever time allowed. Many security specialists recommend deposits on a random, non-routine basis to foil anyone who may be watching for a specific time and route to the bank.

Deliveries of Merchandise

Ten markets checked deliveries by count, one market sometimes checked, one market had no policy. A check by counting cartons is recommended, so that immediate notation can be made on the signed delivery copy (yours and theirs) about errors and shortages in shipments.

Check and Credit Policy

Four markets accepted checks for the amount of sale only, four markets required identification, two markets cashed checks only for those they knew, three markets had no policy on check cashing. Each market may have its own unique requirements in this area. Payroll checks are troublesome to many because they require keeping considerable cash on hand. Many markets accept only personal checks made out to the market for the amount of the purchase price.

Robbery

Six markets let the robber have whatever asked for, two markets have an internal security system, two markets comply with the robber and phone for police. Security agencies recommend yielding to robbers' demands, staying calm, observing carefully details of the robber's appearance and characteristics, moving carefully and slowly when instructed, and avoiding anything that may raise his level of tension.

Fire

Two markets had no policy, seven markets phoned fire departments immediately, one enforced no smoking regulations, two markets had employee fire drills. The fire department should be called immediately, and then attempt to extinguish the fire after the building has been evacuated.

Other Security Measures

One market had all-night watchmen, four markets left lights burning, one employed a private detective, one had an armed manager, one had an alarm system, one had added better door locks, and one kept a dog on the premises after hours.

ROADSIDE MARKET OPPORTUNITIES AND PROBLEM AREAS

Market operators were asked about their plans for market growth over the next five years. Four reported no plans for growth, four planned to expand their market; three planned to have a larger variety of products, and two planned to increase farm production to provide additional products for increased market sales.

Profit goals of market operators were quite indefinite. Three had no profit goals, one had a goal of more than last year, eight wanted an increase.

Sales goals were more definite than profit goals. One market operator wanted to double sales in the next five years, two wanted a yearly increase of at least ten percent, five wanted an increase, two had no sales goals.

When asked to identify what satisfactions they received from market operations other than the opportunity to increase income, market operators identified the following, listed in order of frequency mentioned:

1. Enjoy the customer interchange
2. Personal pride in operating a good market

3. Provides an outlet for farm production
4. Enjoy growing <u>and</u> selling quality crops
5. Can employ own children and see them grow
6. None

The major problem areas identified by market operators were:

1. Cost control
2. Securing and keeping good employees
3. Space limitations
4. Weather related
5. Separation of the farm and market business

SUMMARY AND CONCLUSIONS

Many Ohio roadside market operations have grown in size to the point where managers have become more concerned about merchandising, management of employees, pricing, and questions related to expansion.

If this small sample is any indication of the situation for many market operators, most cannot document whether the market is profitable, and if so, to what extent, or produce records which would aid in short and long run decision making.

Most of these market operators have been successful over a period of years. They estimate that a majority of their total sales and their net income come from the market.

One of the needs of market operators is to implement an accounting system which separates market activities from the farm and other businesses for management purposes. One approach to keeping these kinds of records is outlined in "Financial Planning for Roadside Markets," MM384, available from the Cooperative Extension Service, The Ohio State University.

The information in this survey indicates the desirability of a fairly large population base to generate sufficient sales volume for a large and growing roadside market.

With an average value in buildings, inventory and equipment over $100,000 operators have some concern whether they should further expand this investment. This kind of long range decision making also points out the need for more complete financial and operating records for the market.

Shrink, and its measurement, should be of concern to market operators. Although the two markets which had records indicated a shrink factor of about 7% of sales, observation in some other markets indicated their shrink was much higher. If a market had, for example, a shrink factor of 9%, and management reduced this to 7%, this 2% of sales would be passed directly through to the bottom line--net income. It is suggested that a goal of 6% shrink on sales is a desirable standard to shoot for.

A few markets may wish to examine closely the idea of "market segmentation" to determine their opportunities in appealing strongly to specific income groups or age groups because of the characteristics of competition and of customers in their trading area, keeping in mind the restrictions outlined on page 11.

Roadside market operators may also consider developing another operating standard. Sales per square foot in the sales area of $30.00 or more per month during the market's busiest season is an example. This can provide a measure of the market facilities productivity and can also indicate when expansion plans should be considered.

Achieving an actual gross margin on sales of about 30% seems to be desirable to produce a satisfactory income and return on investment. Because of shrink, products going into the market will need to be priced at least 6% more for an average planned gross margin of 36% on sales. Thirty-six percent gross margin on sales is equivalent to a markup on cost of 56%.[3/]

Labor costs represent the single largest cost for most markets. The average labor cost as a percent of sales was 9.7%. A cost control goal--keeping the labor factor at 10% or below in markets where most market labor is provided by paid employees.

A labor productivity standard might be sales per man hour. The limited number of markets in this survey suggests the establishment of a goal of at least $30.00 per man hour as a starting point.

The information in the survey indicates that 1.2% of sales is spent on advertising. This figure, too, may be a starting point in determining an advertising allocation.

If these markets are a reasonably good sample of all roadside markets, there is a need for market managers to develop clear, concise statements in regard to market security and other operating policies. The development of a market policy statement would aid the manager to crystallize his or her thinking about market needs and would be an aide in transmitting these expectations to employees.

Finally, market operators should consider developing a brief statement of goals to be achieved. "Management by Objectives" is popular in the business world because it focuses the attention of managers on specific goals to be reached within a specific period. Each market operator should establish his own set of goals reflecting the unique characteristics of his market and

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[3/] An example: If a product that sells for $1.00 costs 64¢, the gross margin is 36¢ or 36%. The markup on cost is also 36¢. The percentage markup on cost is 36¢ divided by 64¢, or 56%.

and personal ambitions. Examples of goals for roadside market operators are:

--To make a return on investment of 15% in 1979.

--To make a net profit on sales of 3% in 1979.

--To achieve a gross margin on sales of 29% in 1979.

--To make a net profit on sales of 3% in 1979.

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