Retail Buyers' Expectations Concerning the Growth of Value-Added Produce and Perceptions of the Importance of Promotional Vehicles Used to Sell Value-Added Produce

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The research was conducted through the use of a telephone survey of produce retail buyers during a two-year period, May 1996 through May 1998. This research shows that retail buyers expect value-added produce sales to continue to increase and that they rate promotional vehicles, related to pricing, as important factors in increasing their willingness to carry a value-added produce product. Branding is somewhat important in increasing their willingness to carry a value-added produce product.

Value-added produce has changed the way produce has been sold and used by consumers in the 1990s. Value-added produce is fresh produce that has been washed, cut, and packaged for convenience. Total value-added produce sales have increased 58 percent from $5 billion in 1994 to $7.9 billion in 1997 (Produce Marketing Association, 1998). In 1997, the foodservice share of value-added produce sales was 60 percent while the retail share was 40 percent (Produce Marketing Association, 1998).

The first users of value-added produce products were independent stores and fast-food outlets. The use of value-added produce reduces food preparation time and labor costs. Increases in minimum wages are expected to increase the value-added category as restaurants attempt to reduce labor costs (Harvey, 1997b).

During the 1990s, consumers have become very busy and have searched for convenience products (Offner, 1997). Research has shown that many workers do not have time to eat breakfast nor to order lunch (Conley, 1997). The value-added produce products reduce food preparation time for consumers. Retailers responded to the consumers' need for convenient food by including value-added produce products on the shelves of their produce departments. Retailers have supported the value-added products through ad pricing and other promotional strategies (Harvey, 1997b).

IRI data showed that the U.S.-prepared salad category generated a record sales level of $1.086 billion in 1997, a 15.6 percent increase from 1996 (Johnson, 1998). Processors are predicting that U.S. sales for packaged salads will increase to $2 billion in 2000 or 2001 (Harvey, 1998). The objectives of this research are to examine retail buyers' expectations concerning the growth of value-added produce and the importance of promotional vehicles used to sell value-added produce. The distribution and importance of the value-added fruits, vegetables, snacks, and salads in the value-added produce section are also examined.

Research Procedure

A survey instrument was developed to conduct the research. Two methods for distributing the questionnaire, fax and telephone, were tested. The response rate for the fax survey was less than 5 percent. The low response rate was attributed to the fax being delivered to the incorrect person in the office and a lack of attention by busy business managers. It was found that personal calls generated a higher level of cooperation among the retail buyers; therefore, the research was conducted through the use of a telephone survey during a two-year period, May 1996 through May 1998.

A random sample of 604 produce retail buyers listed in the *Red Book* generated 102 responses. The respondents indicated that they purchase produce for a total of 16,588 stores, 55.5 percent of the 29,870 supermarkets in the United States (*Progressive Grocer*, 1997). The retail buyers who responded to the questionnaire bought produce for an average of 195 stores, with a minimum of one store and a maximum of 1,500 stores. Although 102 retail buyers responded to the questionnaire, the number of responses to each question varies based on the respondents' abilities and willingness to answer particular questions.

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Value-Added Sales Growth and Composition of the Category

In the next five years, 98 percent of the respondents believe that there will be a continued increase in total dollar sales of value-added produce. Further, 93 percent believe that total produce dollar sales will increase in the next five years.

Respondents indicated that produce generated approximately 11.6 percent of total store dollar sales. This response is only slightly higher than the estimate provided by the Supermarket Business' *Annual Consumer Expenditures Study*, published in 1996, which estimated that produce generated 10 percent of all retail sales in grocery stores (Emsinfo, 1998). Respondents also indicated that 11.3 percent of produce dollar sales are generated by value-added produce. Respondents estimated that the produce department is 13 percent of store square footage (Emsinfo, 1998). This estimate is similar to the estimate reported in Emsinfo, that the average square footage of the produce department is 5,000 square feet, or 12 percent of total store space. Respondents indicated that value-added produce is 10 percent of the produce department's square footage (Table 1).

The square footage devoted to value-added produce products is expected to increase in the next five years by 60 percent of the respondents. Total produce square footage is expected to grow by 42 percent of respondents. These responses imply that there will be a reallocation of space in the produce section during the next five years (Table 2).

Table 1. Percent of Sales and Square Footage.

	Total Produce Percentage of Total Store	Value-Added Produce Percentage of Total Produce
Dollar Sales	11.6% (N = 92)	11.3% (N = 80)
Square Footage	13% (N = 30)	10% (N = 30)

Table 2. Increase in Square Footage.

Produce Section		Percent Expected Increase in Square Footage
Total Produce	(N=67)	42%
Value-Added Produce	(N=65)	60%

Salad products are the leading products in the value-added section of the produce department. Respondents indicated that 52.6 percent of value-added dollar sales are generated by salads. Vegetables and fruits account for approximately 35 percent of value-added dollar volume (Table 3).

Table 3. Value-Added Sales Volume by Product Category.

Category	Percentage of Dollar Sales
Salads (N=86)	52.6%
Vegetables (N=85)	19.7%
Fruits (N=84)	15.5%
Snacks (N=85)	5.6%
Other (N=85)	6.6%

Since salads account for more than one-half of value-added dollar sales, it is consistent that 55.4 percent of respondents indicated that salads are extremely important in generating produce sales and that 86.1 percent of respondents indicated that salads are extremely or very important in generating produce sales. Most respondents indicated that vegetables are extremely or very important in generating produce sales (Table 4).

In addition to including value-added produce in the produce section to address consumers' needs for convenient food products, meal centers are being added to supermarkets. Respondents indicated that 52 percent of their stores have meal centers.

Marketing Value-Added Produce: Branding and Promotional Vehicles

The marketing of value-added produce includes the use of brand names and promotional vehicles, such as special pricing, merchandising, and advertising. This research examined retail buyers' attitudes toward branding and specific promotional vehicles.

Table 4. Importance in Generating Produce Sales.

	Salads (N = 101)	Vegetables (N = 101)	Fruits (N = 101)	Snacks (N = 101)
Extremely Important	55.4%	36.6%	20.8%	6.1%
Very Important	30.7%	44.6%	30.7%	31.3%
Extremely/Very Important	**86.1%**	**81.2%**	**51.5%**	**37.4%**
Somewhat Important	11.9%	14.9%	28.7%	38.4%
Not Very Important	2.0%	3.0%	11.9%	14.1%
Not at All Important	0%	1.0%	7.9%	10.1%

When asked how often customers ask for a specific value-added product by brand name, 65.3 percent of the respondents indicated that consumers ask at least somewhat often. A value-added product is added by 69.1 percent of the respondents at least somewhat often at the request of the customers (Table 5). Branding is considered extremely or very important in generating value-added sales to 45.8 percent of the respondents. At least 82.5 percent of respondents feel that branding is at least somewhat important in generating value-added sales (Table 6).

Table 5. Consumers Ask for Specific Brand and Retailer Adds Product in Response to Consumer Request.

	Consumers Ask for Specific Brand (N=98)	Retailer Adds Product in Response to Consumer Request (N=97)
Extremely Often	5.1%	12.4%
Very Often	22.4%	26.8%
Somewhat Often	37.8%	29.9%
Not Very Often	29.6%	20.6%
Not at All Often	5.1%	10.3%

Table 6. Importance of Branding in Generating Value-Added Sales.

Importance of Branding	(N=99)
Extremely Important	17.3%
Very Important	28.5%
Somewhat Important	36.7%
Not Very Important	11.2%
Not at All Important	6.3%

Respondents rated 18 promotional vehicles based on their importance in increasing their willingness to carry a value-added product. Respondents answered the following question(s): "Please rate the list of specific promotional vehicles provided by a product's supplier in terms of increasing your willingness to carry a value-added product" (using the scale below):

5 = Extremely important;
4 = Very important;
3 = Somewhat important;
2 = Not very important; and
1 = Not at all important.

None of the 18 promotional vehicles rated were considered extremely important in increasing a produce retail buyer's willingness to carry a value-added product. However, deals were considered to be very important in increasing a produce retail buyer's willingness to carry a value-added product. Thirteen of the 18 promotional vehicles were considered to be somewhat to very important to retail buyers in increasing their willingness to carry a value-added product. Four promotional vehicles were rated not important at all to not very important in increasing a produce retail buyer's willingness to carry a value-added product.

The promotional vehicles that rated highest were deals, free product discount, pricing programs, and in-store merchandising. The top three promotional vehicles for increasing a retail buyer's willingness to carry a value-added product are promotional tools that are related to the price of the product. Deals are promotional vehicles that involve pricing. For example, an incentive program, such as a cents-off program, for purchases above a certain volume is considered a deal. Other deals are made daily based on supply or other market factors. Free product discounts usually involve a free case for an order of a certain quantity. Pricing programs are typically contracts and special prices for the product to be put on ad. In-store merchandising programs are promotions that increase consumer awareness at the point of purchase.

The mass media vehicles, print and TV advertising, were rated slightly lower than in-store merchandising. The remaining promotional vehicles that were rated somewhat to very important to retail buyers in increasing their willingness to carry a value-added product were in-store demos, instantly redeemable coupons, special displays, co-op advertising, radio advertising, point of purchase material, in-store demo coupons, and development funds. Slotting fees, check-out coupons, in-store radio, and coupon machines were rated not very to somewhat important in increasing retail buyers' willingness to carry a value-added product (Table 7).

Retail buyers indicated that branding is important in generating value-added sales. Most promotional vehicles examined by this research were considered somewhat to very important to retail buyers in their decision to carry a value-added product.

Marketing Implications

This research shows that retail buyers expect continued increases in value-added produce sales. They rate promotional vehicles and branding as important factors in increasing their willingness to carry a value-added produce product. Therefore, it is important for suppliers of value-added products to provide marketing support for their brands to ensure that sales increase. The most important promotional vehicles were deals, free product discount, pricing programs, and in-store merchandising for increasing a retail buyer's willingness to carry a value-added product.

Table 7. Importance of Promotional Vehicles.

Promotional Vehicle	Mean Rating Based on 5-Point Scale (N = 68)	Standard Error of Mean (N = 68)
Very Important		
Deals	3.99	.11
Somewhat to Very Important		
Free product discount	3.71	.13
Pricing programs	3.68	.12
In-store merchandising	3.68	.13
Print advertising	3.57	.13
TV advertising	3.54	.13
In-store demos	3.50	.12
Instantly redeemable coupons	3.37	.13
Special displays	3.36	.12
Co-op advertising	3.35	.13
Radio advertising	3.29	.11
Point of purchase material	3.22	.14
In-store demo coupon	3.10	.13
Development funds	3.06	.16
Not Very to Somewhat Important		
Slotting fees	2.86	.16
Check-out coupons	2.75	.12
In-store radio	2.67	.12
Coupon machine	2.50	.10

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