

February 1, 2010

SUBJECT | LOCAL FOODS CONNECTION: GROCERY STORES

CONTACTING A GROCER

Rather than showing up or calling and expecting to talk with a buyer, growers should make appointments.

It's important to understand each store's structure of buyers, which is difficult because every store is different. Growers shouldn't be afraid to just ask who the best person to talk to would be for their products. First Alternative has a list of requirements and a chain of command formally written out, but other stores do not.

Growers should follow up with grocers, but not too often ("don't call once, don't call three times a day"). Once a week is about right.

BE PREPARED

Growers and producers should be prepared when they contact grocers with information about their products. This information should all fit on one piece of paper.

Growers should have a list or "sell sheet" describing their products. This sheet should include the product list, packaging, dates available, quantity, restocking frequency, price, and ripeness requirements. Buyers also like it when growers bring in samples.

Growers should ask the grocery about quality and quantity requirements. Growers should be honest about whether they can meet that demand.

PROFESSIONALISM

Professionalism is very important to grocers. Growers should make sure to follow through on their commitments. Growers should not commit to deliveries they can't make or harvest predictions that are overly optimistic.

TIMING

Growers could contact grocers six months to one year before they want to sell a product. Producers don't need to have the product yet, but they should call ahead to find out if the store even has an opening for that product. Growers should not grow on speculation. Growers should try and get agreements as early as possible.

Timing deliveries for proper ripeness can be difficult. Some products have very short shelf lives that just don't work as well at grocery stores as they do at farmers markets. Unless the grower is willing to deliver the product to the grocery store five times a week (which would get very expensive), the grocer cannot provide the product.

RELATIONSHIPS

Consistency and relationships are important to grocers. They rarely want to enter into agreements to buy products only once or twice. Grocers will not trade out growers for a small difference in price.

PRICING

Grocery markup is usually 30-40%, but this varies a lot by product. Bulk products are generally lower and produce has a lot of variation. In general, grocers have target margins for entire departments (such as the produce department), rather than specific margins for particular products. First Alternative tries to offer certain essential foods at a lower markup.

Growers must recognize that they are going to receive a much lower price at a grocery store than they would at a farmers market.

Growers should know their production costs and know what price they need to break even. Transportation is an important part of cost.

PACKAGING

Growers should work with grocers to find out if the packaging of the product fits in the store. Many grocers like working with growers and producers as they develop their packaging to create something that fits in their store. While some grocers are willing to adjust their store to fit a product they really want, this is very uncommon.

Someone suggested that the Food Innovation Center in Portland (connected with ODA and OSU) may be helpful in developing packaging. However, people had questions: Do they work at a small scale? Do they do work to adjust packaging to grocers' shelves? How helpful are they?

TRANSPORTATION

Using freight companies by teaming up with other producers can reduce transportation costs significantly. Growers should think about transportation costs when setting their prices.

QUANTITY

First Alternative works with 45 different growers who provide a range of quantities: everything from a grower who produces four flats of marion berries to a grower whose produce is worth \$200,000 wholesale. Many stores are willing to work with grocers who can provide small quantities. While some stores with multiple locations require growers to supply all their locations (Taste of Oregon), others do not (Market of Choice).

UPCs AND PLUS

Getting UPC symbols can be very expensive. Often they are bought in blocks of numbers (is this something an outside organization could do?) Producer can get them from barcodes.com. Some stores (Sundance and others) are willing to use PLU numbers even on processed foods as long as volume isn't too large. As the producer starts to sell to multiple stores, they need to get a UPC symbol.

DEFINITIONS OF LOCAL

For First Alternative, local means grower-direct. Other stores have other definitions for local.

HOW DO YOU GET GROCERS INTERESTED?

Growers should know each store's selling point. For example, Sundance strives to only buy organic and they care a lot about sustainable packaging. While price matters and stores are consumer driven, some stores feel that they definitely lead consumers as well.