

FRESH CHANGE: A FRESH DIMENSION IN DATA ANALYSIS AND RETAIL STRATEGY

Marie Piccone and Wanita Judge Piccone PHC
mariep@picconephc.com.au

Michael Geraghty
Hampton Orchards
hamptonorchards@growzone.com.au

Michael Simonetta
Perfection Fresh Australia
michael@perfection.com.au

SUMMARY

Essentially, Fresh Change is about the strategic facilitation of change. It is about assisting in the process of strategic evaluation of marketing opportunities and providing the monitoring and platform to 'fine tune' product alternatives & variations to insure customer satisfaction and improved returns to all partners including retailers, supply chain managers and growers in a 'win/win' environment.

Why the focus on fresh produce? Fresh produce is a key growth area and a key to increasing retailers' profits and consumer satisfaction levels.

This report details the interim results of a joint initiative between Perfection Fresh Australia, Piccone PHC and Hampton Orchards. The initiative is an example of a service that will provide detailed information on consumer profile and behaviour at retail and the results have relevance to all operators in the supply chain for fresh food products. The information provided by the service will allow stakeholders to monitor more efficiently the performance of products and activities at retail enabling specific, market-driven adjustments at all stages in the supply chain.

The analyses and results presented in this report are based on data collected from two retail outlets over a two month period from early October to the end of November, 2004.

Of particular interest in this study has been the introduction of Perfection Fresh's 'Perfect Packs' (these packs contain 2 premium quality avocados, backed by a 'refund of the purchase price' satisfaction guarantee). The information in this report compares the performance of this new product line with existing product lines, namely loose avocados and 4 pack avocados, in two retail outlets in the greater Sydney area. Feedback from consumers, together with data on in-store product quality (eg. blemish levels, fruit firmness and size), is combined with scan data to provide a comprehensive

picture of product performance, the retail environment and buyer behaviour.

Since its introduction in October, 2004, the Perfect Pack has experienced positive market acceptance with overall growth in both sales and gross profit. In some instances the average daily profit of the Perfect Packs has exceeded that of loose avocados. Analysis of total daily average turnover for all avocado products prior to, and after, the introduction of the Perfect Packs has shown that for some periods this figure has doubled. The introduction of the Perfect Pack has, therefore, not 'poached' sales from loose avocados, but rather generated additional product sales. This is clearly evident in results that shows that within 14 days of the introduction of the Perfect Pack, there was an overall increase of 85% in the total sales of avocados in one of the participating stores. Other figures within the report also show the percent of Gross Profit for the Perfect Pack doubling in the 3 week period.

The Perfect Packs also performed favourably in regard to Gross Profit/m² of display. The A range of results show Gross Profit/m² for Perfect Packs intersecting that of loose avocados at approximately \$125/m² and increasing to a maximum of \$200/m².

A closer analysis of the scan and product display data (particularly on a daily basis) together with the Consumer Feedback Surveys, has provided further information on the relationship between product attributes and sales, and enabled the identification of 'drivers' which influence buyers' purchase decisions.

For example, scan data for Store 3 showed that, at a reduced price of \$3.99/pack (compared to the offer at the time of \$1.99/piece for loose and \$5.99/pack for the 4 Packs) the Perfect Pack significantly exceeded sales of loose and 4 Pack avocados. Whilst the majority respondents to the Consumer Feedback Survey identified 'Price' as a factor influencing their purchase decision, product appearance was also rated highly. An examination of the display feedback data at the time of the price reduction revealed that the quality of the other product offers was significantly inferior to that of the Perfect Packs. This would indicate that price may not have been the only factor contributing to increased sales.

There were several instances of ripe fruit rots and breakdown in the Perfect Packs noted by retailers. At this stage it is difficult to ascertain the effect these incidences have on consumer perception and acceptance. A range of initiatives and changes have been made to improve the handling and storage of the product to prevent a reoccurrence of the fruit rots and rapid progression of fruit to the overripe stage.

The reduction in price of the Perfect Packs during the survey period, made it difficult to fully assess consumers' price 'tolerance' at \$5.99/pack. Overall however, the scan data and the display feedback data suggest support for the main findings of the Consumer Feedback Survey -that the more frequently customers purchase avocados per week, the more willing they would be to pay a premium price for a product with consistently high product quality. The Perfect Pack, with 2 large, 'perfect' avocados, should be highly suitable and attractive to this market segment.

INTRODUCTION

Fresh Change has been built on the premise "If you do what you've always done in the

fresh produce -you'll always get what you have always got!"

In the case study, the challenge we were given was to develop a strategy to improve the marketing of avocados to increase the overall and long term profitability for the businesses involved. The strategy that we collectively devised was 'Achieve product differentiation in the market place by introducing a new avocado offer/product that was a differentiated offer/product rather than a commodity product'.

The concept was based on the difference between a commodity and a product as follows:

- A **commodity** is traded on the market floor and has no added value and/or distinguishing attributes.
- A **product** has a character of its own and is identifiable from other offers and is perceived as offering value, satisfaction and reliability.

We formed a partnership with a supply chain manager who ripened and packed the avocados and had strong existing relationships with retailers. The grower was confident of the quality of the avocados being supplied. Hence the growers and the supply chain manager were prepared to guarantee the Perfect Pack quality so much so that if the consumer was not happy with the quality of the product they purchased that the purchase cost would be refunded or the product replaced. The combined input and commitment from both the grower and the Supply Chain manager allowed a **Unique Selling Proposal (USP)** to be offered to the retailers and in turn the consumer.

The initiative is the first example of a service that will provide detailed information on consumer profile and behaviour at retail and the results have relevance to all operators in the supply chain for fresh food products. The information provided by the service has allowed stakeholders to monitor more efficiently the performance of products and activities at retail enabling specific, market-driven adjustments at all stages in the supply chain. Of particular interest in this study has been the introduction of Perfection Fresh's 'Perfect Packs' (these packs contain 2 premium quality ripened avocados, backed by a 'refund of the purchase price' satisfaction guarantee).

The Fresh Change programme was used to analyse the results and impact of a pilot study conducted as the first stage of introducing a premium prepack of avocados into retail outlets in metropolitan Sydney. The Perfect Pack concept encompasses the product being supplied to retailers in a 'sprung' condition as an attractive, differentiated prepack containing two size 18 or 20 premium quality Hass avocados. The product is backed by a 100% quality guarantee.

The information in this programme compared the performance of this new product line with existing product lines, namely loose avocados and 4 pack avocados, in several retail outlets in the greater Sydney area.

The rationale behind the concept (USP) and commercial case study was:

- A large section of consumers want confidence in the avocado product they buy and continually wonder "Will they be OK inside?"
- Consumers also want ripe and ready to eat avocados
- There is a significant trend and growth in the United Kingdom for 'premium' pre-

packs rather than 'value' pre-packs

- A premium pre-pack offering had not been trailed before in Australia
- The stakeholders wanted to be able to objectively evaluate the results of the pilot case study and then be strategic in the continuing development of the concept and the product.

Feedback from consumers, together with data on in-store product quality (e.g. blemish levels, fruit firmness and size, shape) was combined with scan data and retail positioning (e.g. display size, position in-store, promotional activities, signage and any other characteristics of the retail environment) to provide a comprehensive picture of product performance, the retail environment and buyer behaviour.

MATERIAL & METHODS

The 'Perfect Pack' avocado offer is based on 'hand selecting' a network of grower suppliers who employ world's best practice to optimize quality and shelf. The basis for pricing and returns was developed based on an avocado perfect pack pricing model where the cost of each transaction in the supply chain was itemized and transparent. This enabled 'round table' discussions on the retail and consumer response to pricing and the achievable and acceptable margins that could be factored into the commercial pricing model. Having known costs and transparency of margins and returns enabled the stakeholders to fine tune costs and optimize profits for all parties involved based on the realities of consumer behavior and responses.

Further along the supply chain PFA utilize the latest technology available for controlled ripening, handling, storage, pre-packing and transport. To promote and achieve correct product storage, handling and merchandising, PFA also developed Retailer Kits that outline product handling recommendations, product information, pricing and merchandising recommendations. Various activities were developed and used to ensure that the retailers handling the product were provided with these kits and understood the opportunity and processes required.

The product was first trailed in October and November, 2004. Based on in-store monitoring, modifications were made to the packaging based on problems with condensation, material cost and stackability. In-store promotions where taste testing and consumer surveys were conducted were also done 4 times in each of the stores over the 2 month period.

In-store monitoring included:

- Objective product quality assessments of the Perfect Pack and other avocado lines that were being retailed in each store.
- Measurement and recording of product display sizes in order to determine the profitability per square metre
- Assessment of the size and quality of the display signage, the presence of promotional material and any other retail characteristics which may be considered to have some effect on retail performance, customer behaviour or product performance
- The Position of the display in the store and in relation to other horticultural

products was also recorded.

Collection and Analysis of Sales Data included:

- Total sales of Perfect Packs daily, weekly and monthly
- Monitoring of retail pricing of all avocado lines
- Total sales of other avocados including other prepacks and loose avocados
- Each product as a % of avocado sales
- Each product as a % of avocado GP
- Avocados as % of F&V turnover and GP
- % of customers purchasing avocados
- Impact of Perfect Pack introduction on avocado sales and profitability
- Impact of promotions done by PFA on avocado sales of Perfect packs and other avocado products
- Impact of retail prices and avocado range on sales volumes and profitability
- Impact of product quality and changes in retail display on sales volumes and profitability
- Turnover per square metre
- Gross Profit per square metre of display

RESULTS & DISCUSSION

'Perfect Pack' Consumer Feedback Survey

The purpose of the Consumer Feedback Survey was to gather specific information relating to consumers' opinions regarding the 'Perfect Pack' avocado product offer. The following points summarize the key findings of the survey.

Figures 1 & 2: show that the majority of consumers purchase avocados once (49%) or twice (26%) a week, however they do not purchase their avocados from the same place each week.

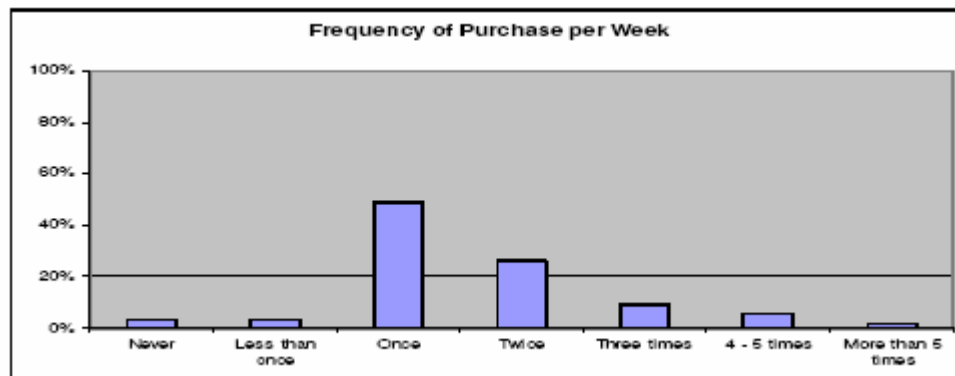


Figure 1: Frequency of Purchase

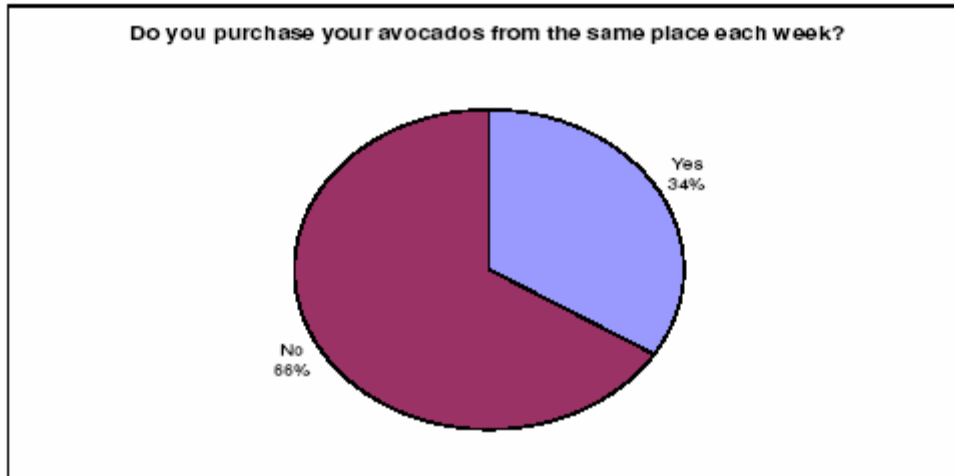


Figure 2: Location of Purchase

Figure 3: 56% of all respondents indicated that price influenced their purchase decision, 41% considered the fruit’s ripeness, in particular its over-ripeness, whilst 37% rated the fruit’s appearance as a importance factor influencing their purchase decision. (Note: the percentages do not equal 100% because each respondent was able to tick multiple responses to the question. The percent therefore represents the percentage of all respondents who chose a particular factor.)

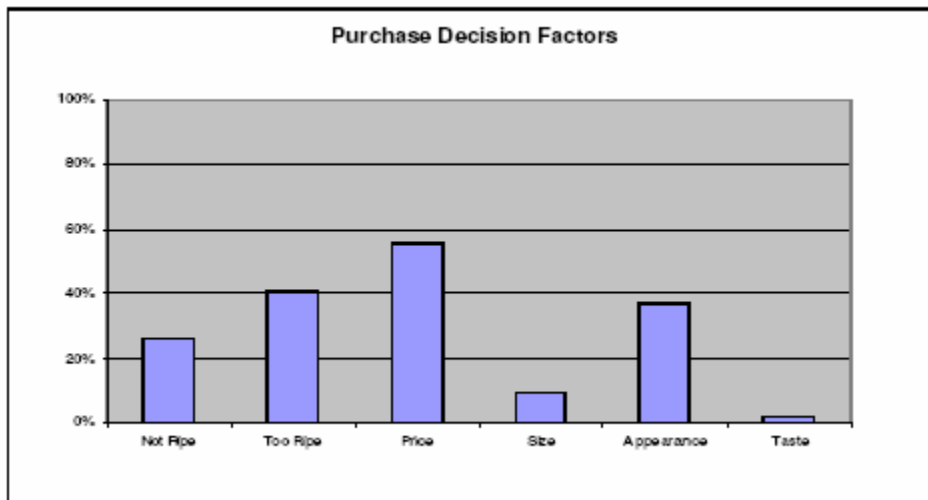


Figure 4: 73% of respondents that agreed that the Perfect Avocado Packaging gave an impression of quality. Only 2% of respondents did not also think that the packaging would offer product protection.

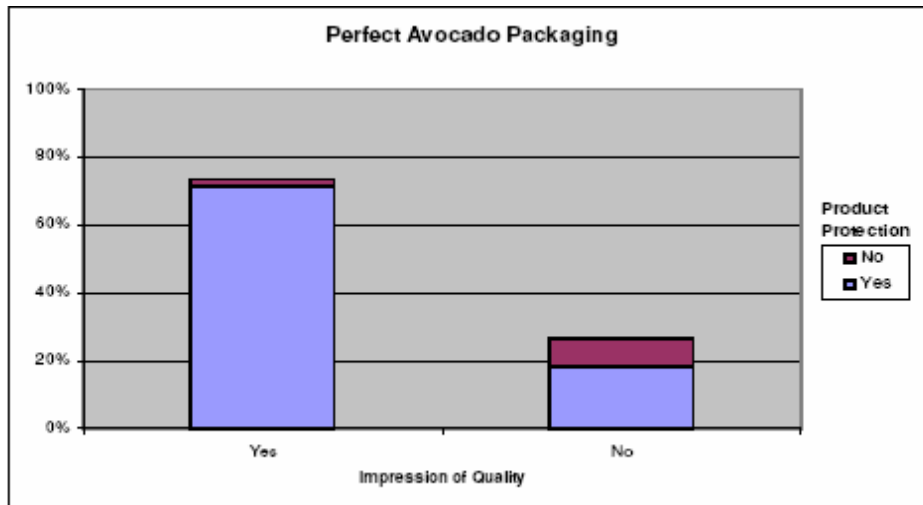


Figure 5: The majority of respondents (75%) believed that the Quality Guarantee created product confidence however only 65% indicated that the Quality Guarantee would cause them to give preference to the Perfect Pack over other products.



Figure 6: 75% of respondents also believed that the Quality Guarantee was credible. This information however when analysed together with responses as to whether they would return the product if they were not happy, revealed that only 47% of respondents (who also agreed that the Quality Guarantee was credible) would return the product if they were not happy.

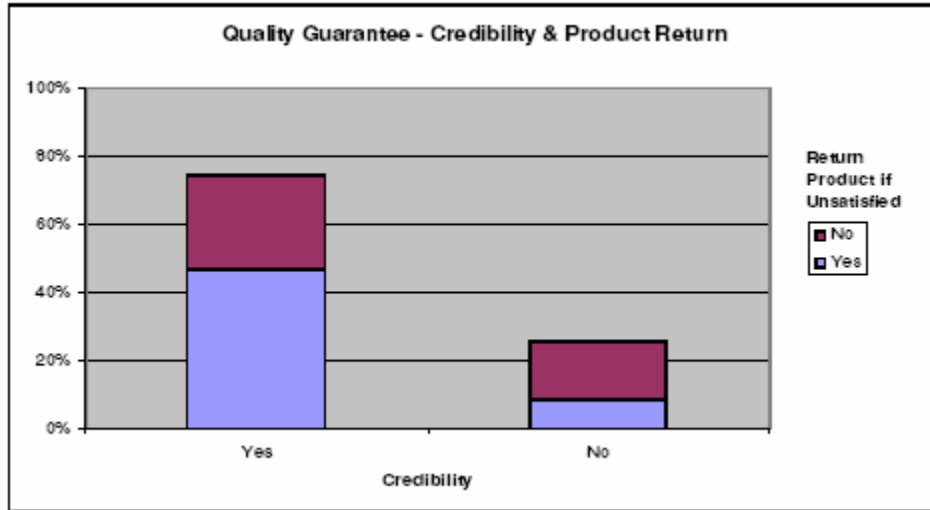


Figure 7: Whilst the majority of consumers base their purchase decision on price, the majority (72%) would also pay a premium price for the product if they knew they were getting “2 perfect avocados every time”.

Would you pay a premium price knowing that you were getting 2 "perfect" avocados everytime?

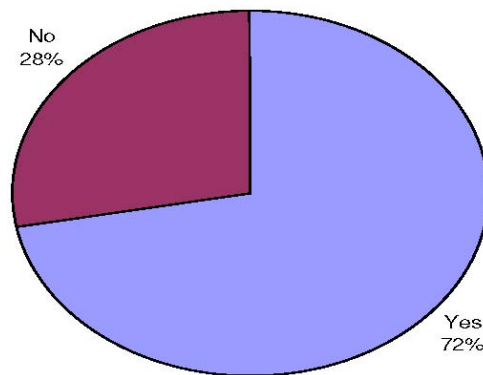
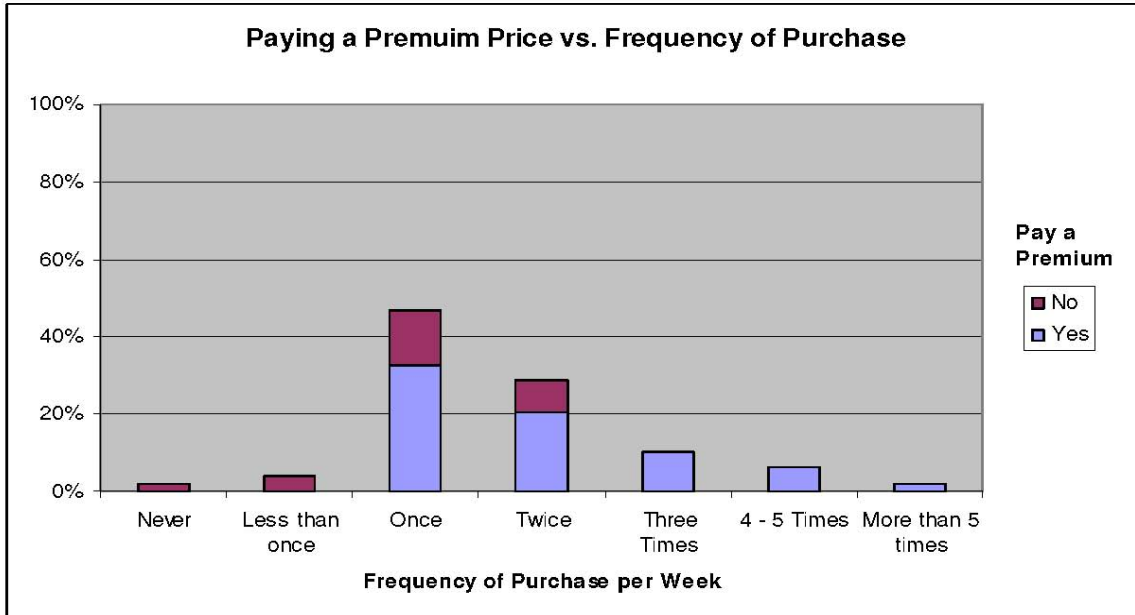


Figure 8: This figure compares responses to the question regarding consumers’ willingness to pay a premium price for the product (Fig. 50) with that of frequency of purchase (Fig. 44). The figure clearly shows that as frequency of purchase increases, so does the relative percentage of consumers’ willing to pay a premium price for a ‘perfect’ product. All consumers who purchase avocados 3 times per week or more, indicated that they would pay a premium price for a ‘perfect’ product.



Sales, Profit and Turnover Analysis

Figure 9: The *Perfect Pack* shows strong penetration on the 7/11 at the price of \$5.99 per pack and, on the 13-14/11 at a sale price of \$3.99 per pack, exceeds sales of loose avocados.

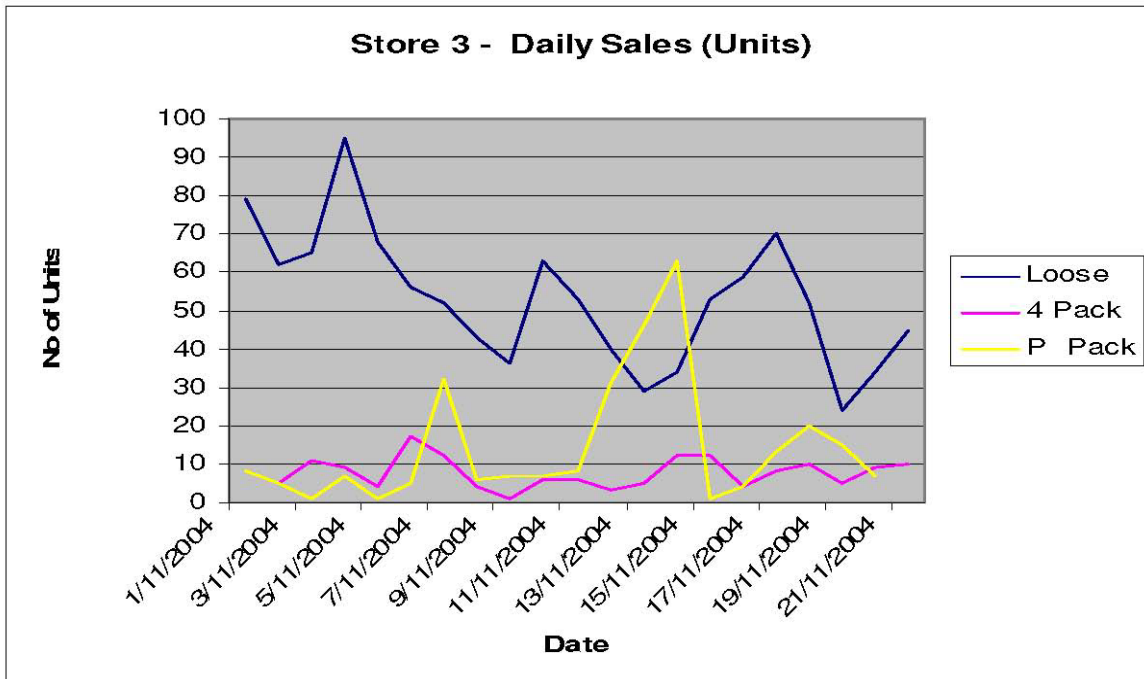


Figure 10: The introduction of the *Perfect Pack* lifts overall sales of avocados from the 31st of October, and may even take from *loose avocado* sales during the week ending 14 November.

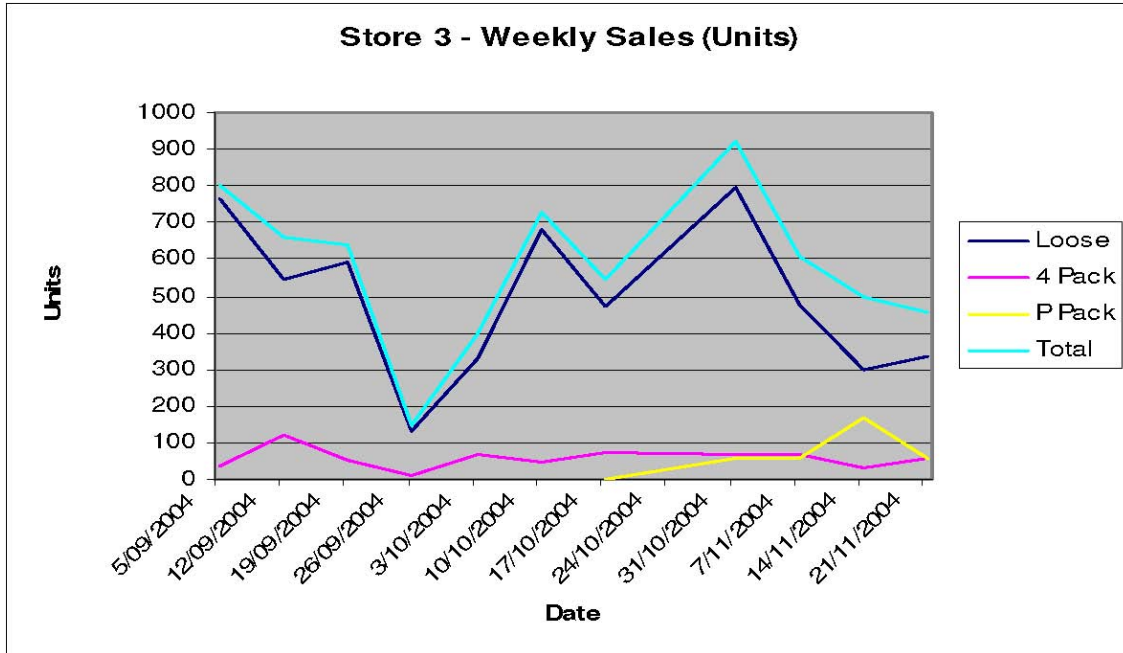


Figure 11: This figure shows that a drop in the sale price of *Perfect Packs* has allowed the retailer to increase the selling price of 4 Packs and loose avocados.

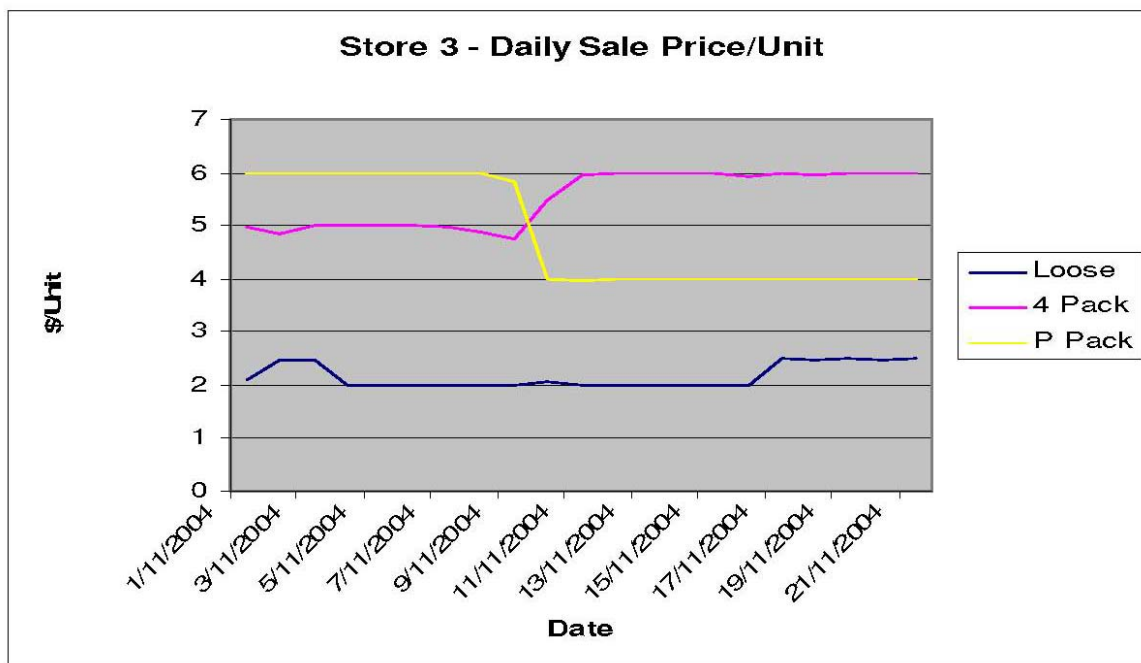


Figure 12: Whilst sales of *Perfect Packs* on the 7/11 and 12-14/11 (at \$5.99 per pack) may have taken same sales from *loose*, it is evident however that there is an overall increase in the total sales of avocados.

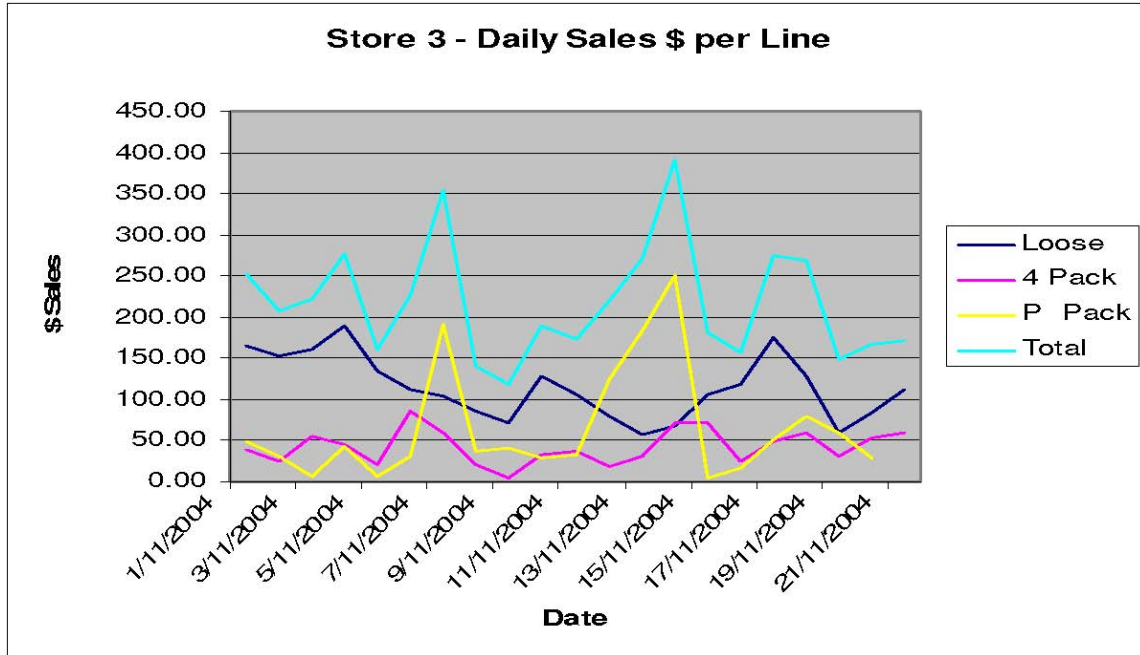


Figure 13: Within 14 days of the introduction of the *Perfect Pack* (on 17/10) there is an overall increase of 85% (at 13/10) in the total sales of avocados.

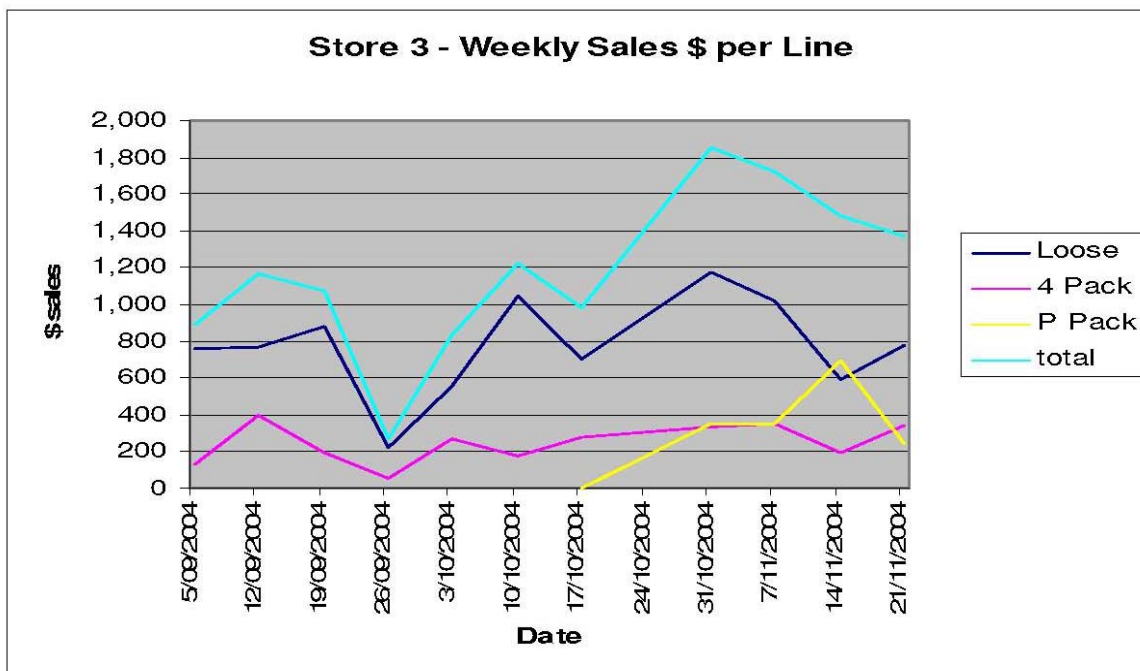


Figure 14: Sales/m² of **Perfect Packs**, when sold at a reduced price of \$3.99, match sales/m² of **loose avocados** on the 19/11.

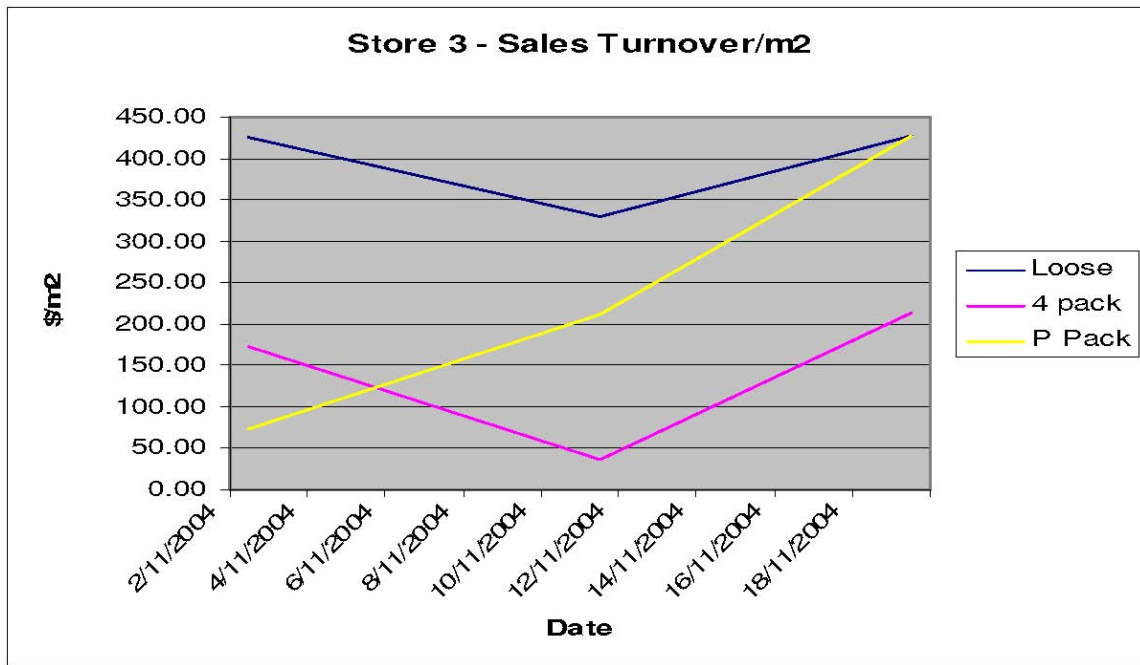


Figure 15. Gross Profit/m² of display for **Perfect Packs** intersected **loose avocados** on the 8/11 at approximately \$125/m² and increased to a maximum of \$200/m² on the 12/11.

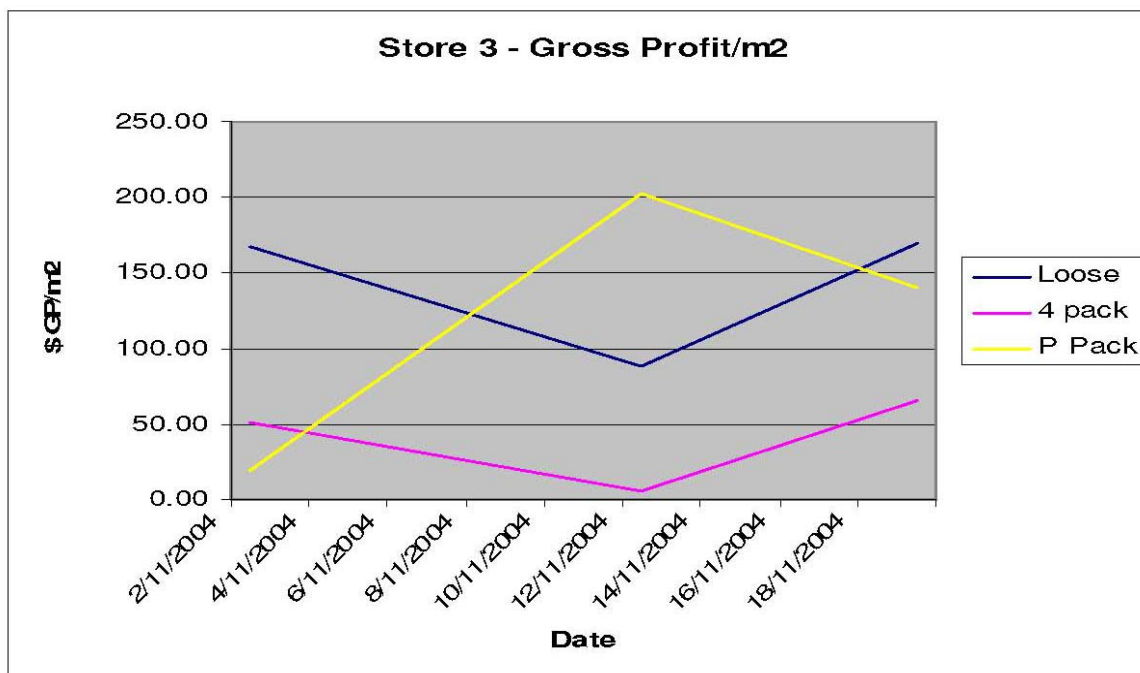


Figure 16: Even with a price reduction of \$2/pack for the *Perfect Packs* (on the 12-14/11) to \$3.99/pack, Daily Gross Profit still increased significantly, compensated for by a coinciding increase in volume of sales.

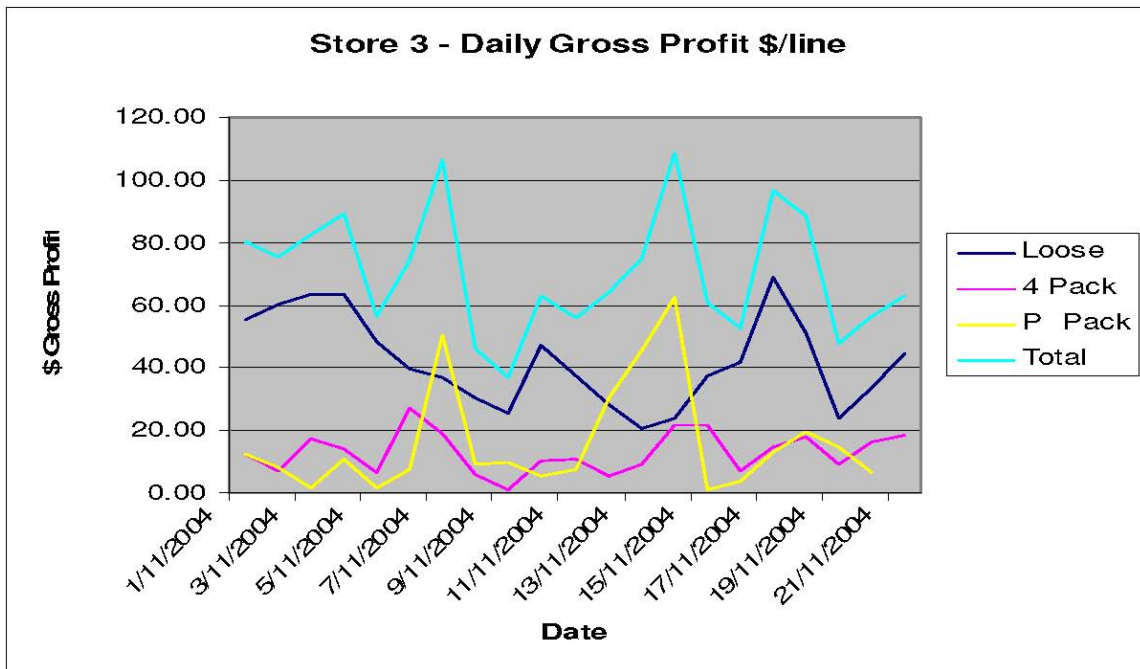


Figure 17: Shows that even with a price reduction of the *Perfect Packs* (around 12-14/11), overall gross profit increased since their introduction on the 17/10.

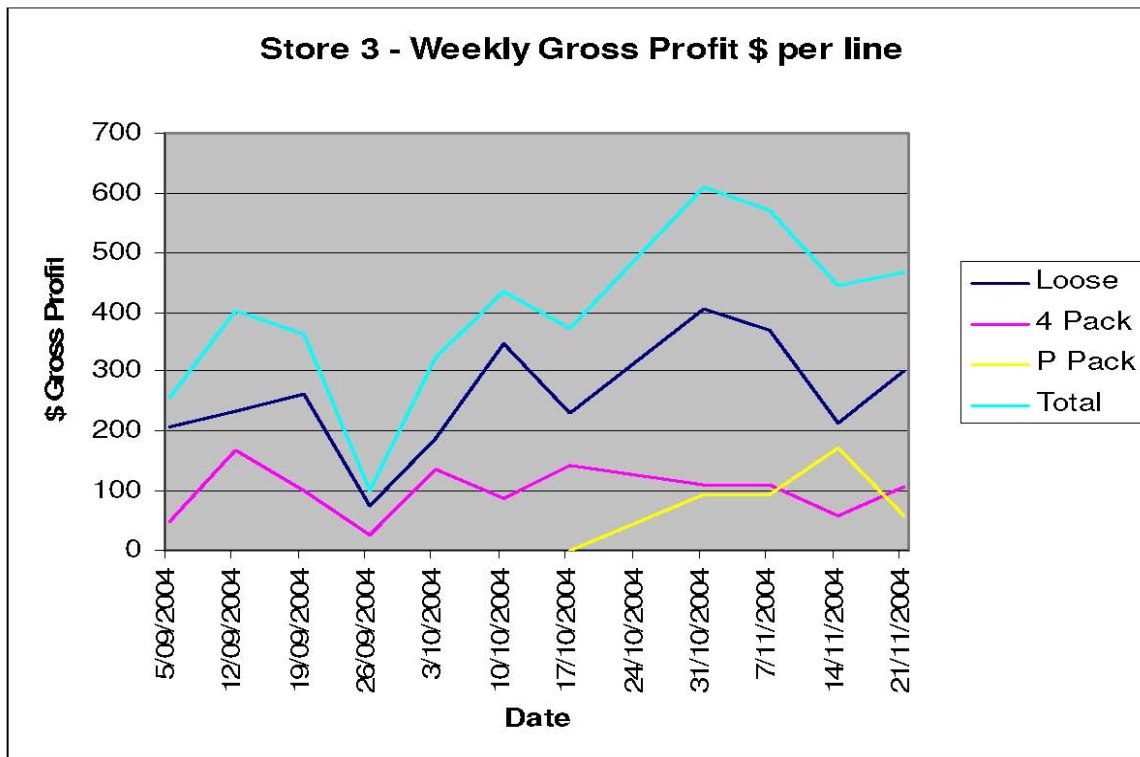


Figure 18: Demonstrates that within approximately 3 weeks of its introduction, the *Perfect Pack* may have contributed to an overall increase in the number of sales (units) of avocados.

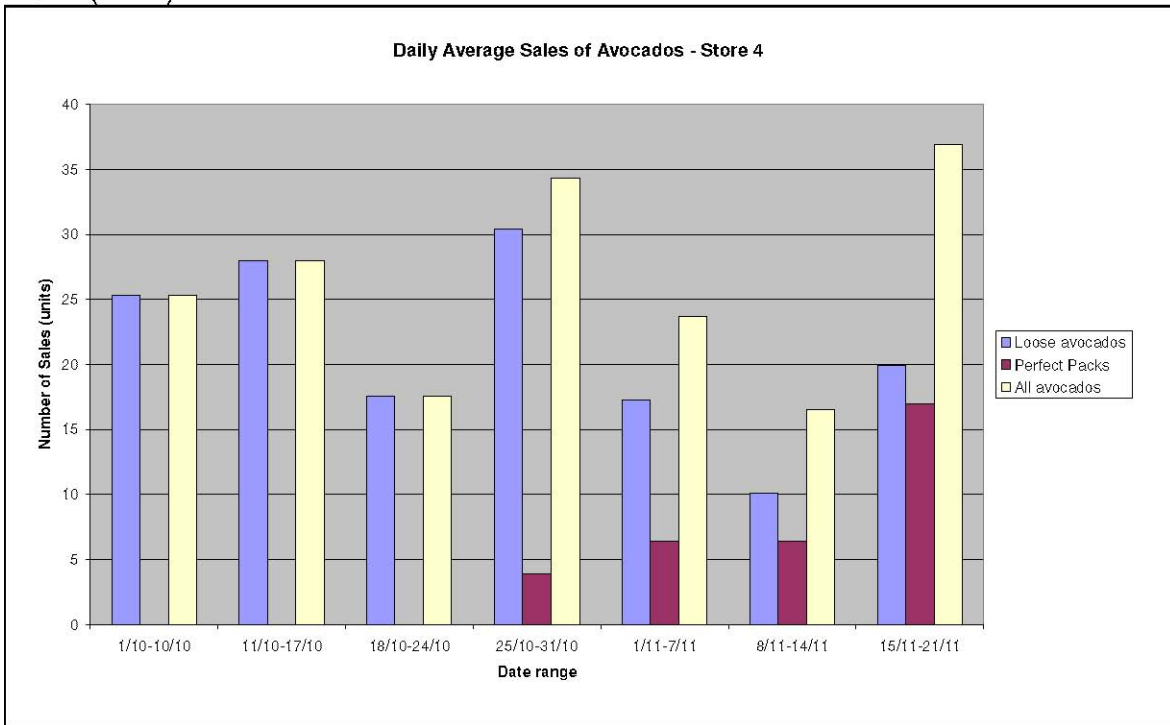


Figure 19: The average unit price for *loose avocados* increased from \$1.92 (1/10-24/10) to \$2.36 (1/11-21/11) or 23%, since the introduction of the *Perfect Pack*.

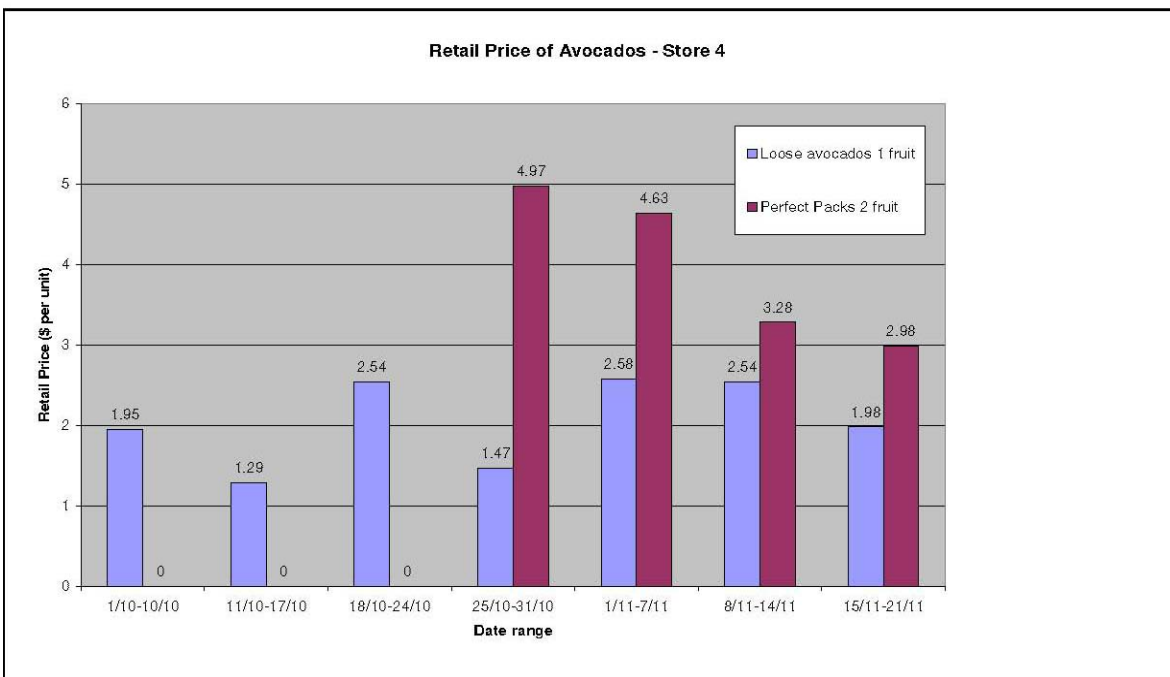


Figure 20: The percentage share of the **Perfect Pack** increased steadily from an initial 10% of Total Avocado Sales (25/10-31/10) to approximately 45% by 15/11-21/11.

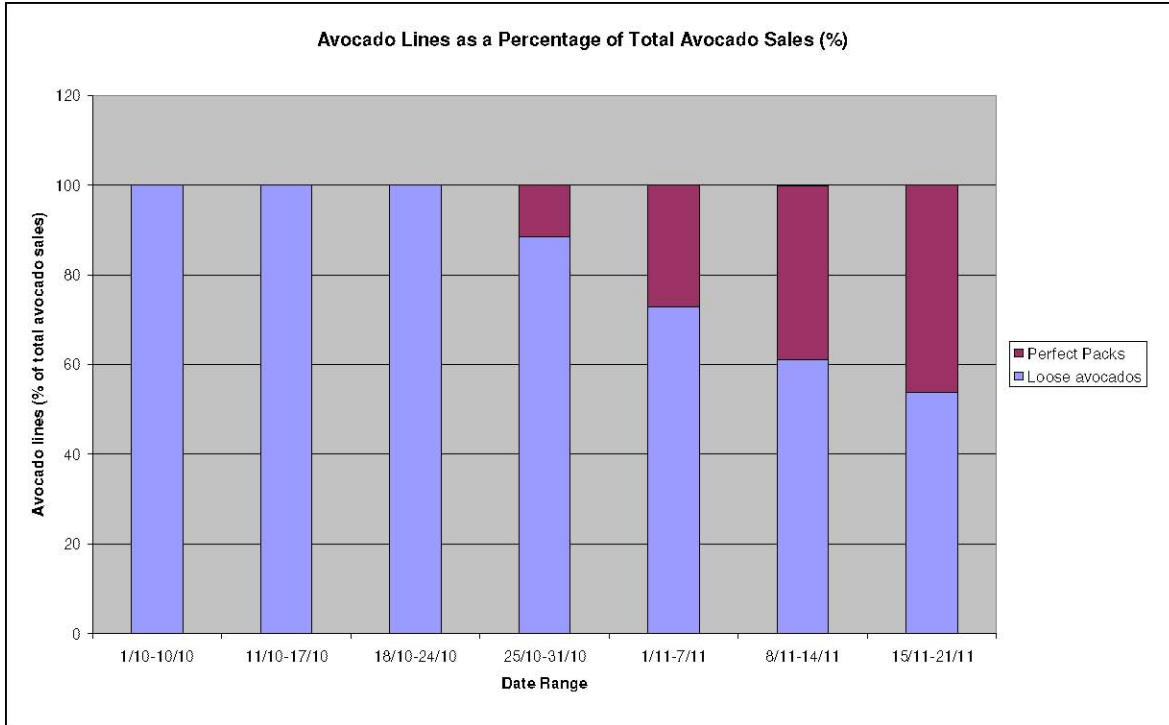


Figure 21: Total Daily Average Turnover for all avocado products doubled from the 18/10-24/10 (prior to the introduction of the **Perfect Packs**) to the 15/11-21/11. This demonstrates that overall, the **Perfect Pack** has not 'poached' sales from **loose avocados**, but rather generated additional product sales.

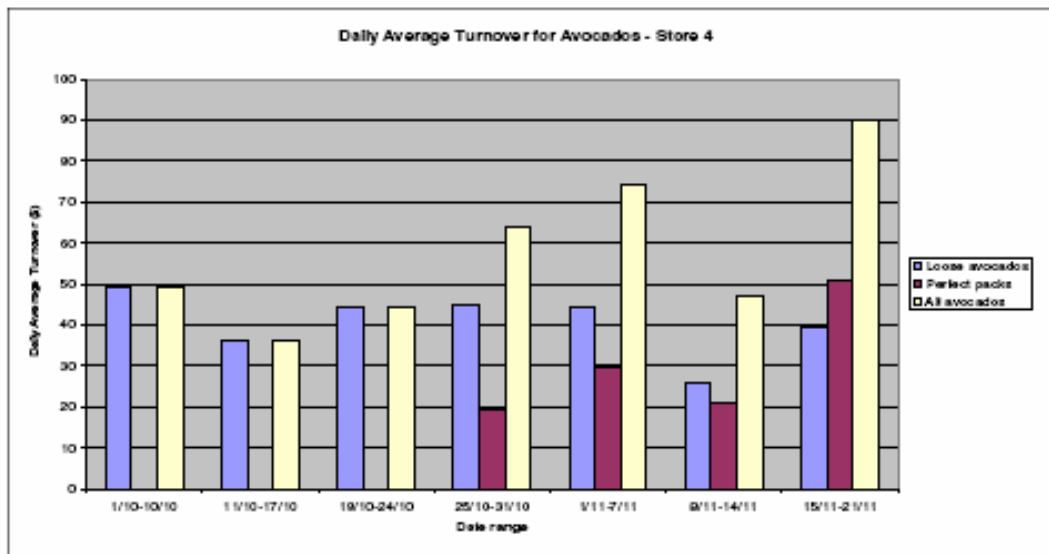


Figure 22: The introduction of the **Perfect Packs** (18/10), and the subsequent increase in their average daily profit, created an overall increase in total profit. The average daily profit of the **Perfect Packs** exceeded that of **loose avocados** from 14/11 to 21/11, and was still exhibiting an upward trend at the end of the survey period.

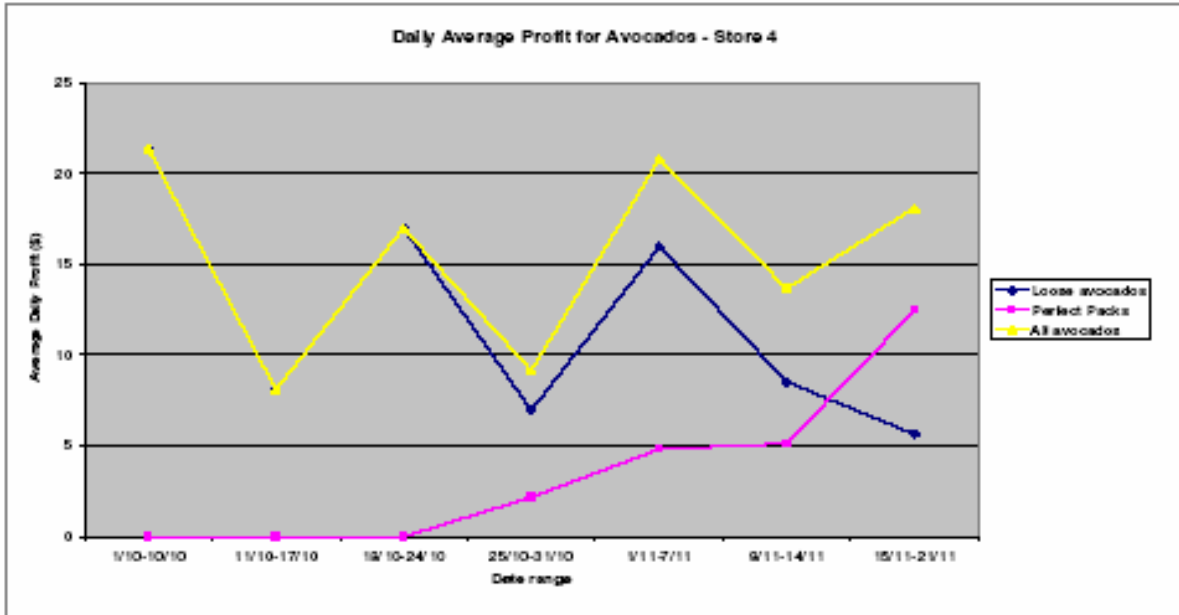


Figure 23: The %GP for the **Perfect Pack** doubled in the 3 week period from 25/10 to 14/11. The increase then plateaued at the level 10 percentage points higher than that of **loose avocados**.

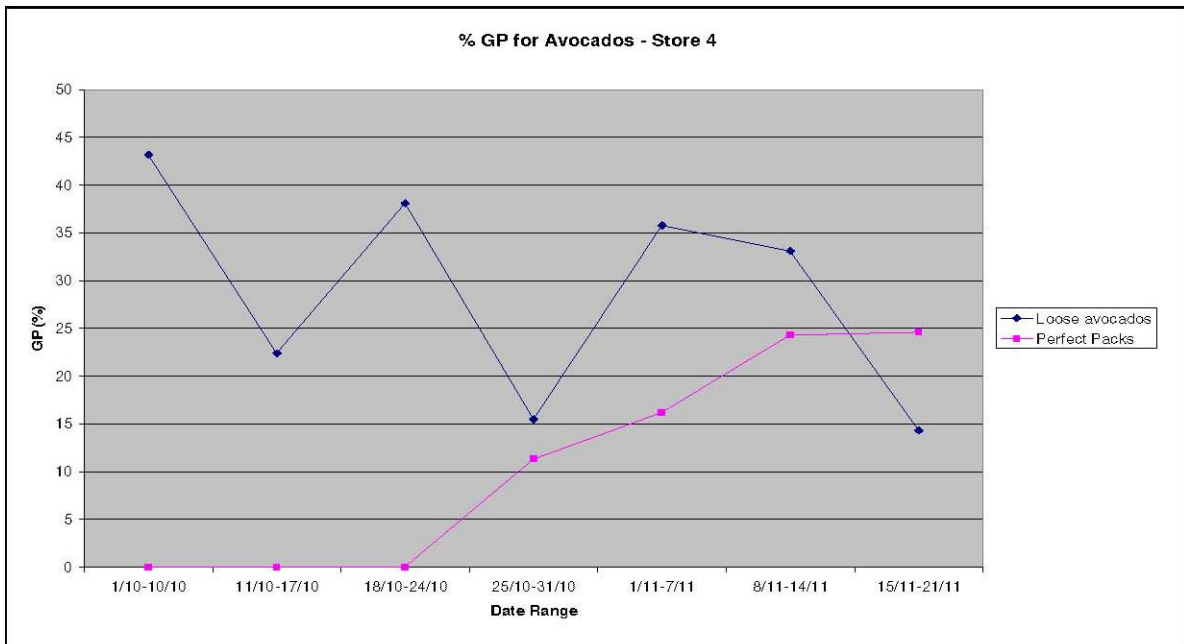


Figure 24: An increase in %GP for *Perfect Packs* (refer previous figure), did not compensate for a decrease in %GP for *loose avocados*, leaving no significant change in the percentage share of avocados' profit in total F&V profit. The average percentage profit share of avocados/F&V for the period 3/10-24/10 was approximately 6.8% compared to 6.75% for the period 1/11-21/11.

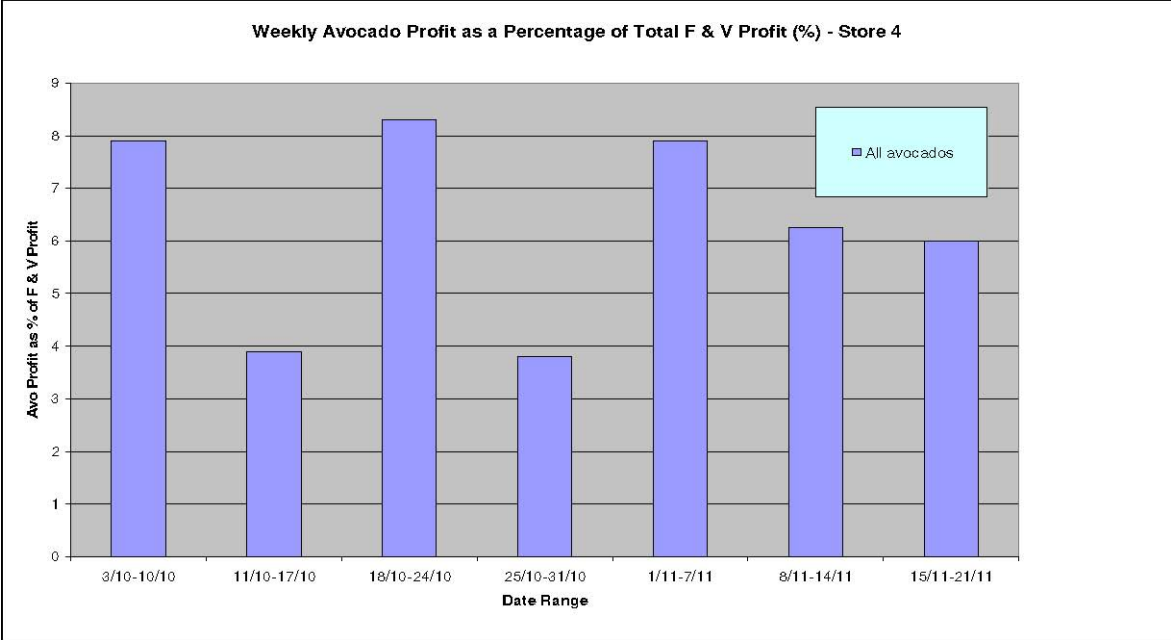


Figure 25: An increase in the percentage of customers buying both *loose* and *Perfect Pack* avocados, led to an overall increase of approximately 1.2 percentage points in the proportion of customers buying avocados – from 2.5% for the period 1/11-7/11 to 3.7% for the period 15/11-21/11.

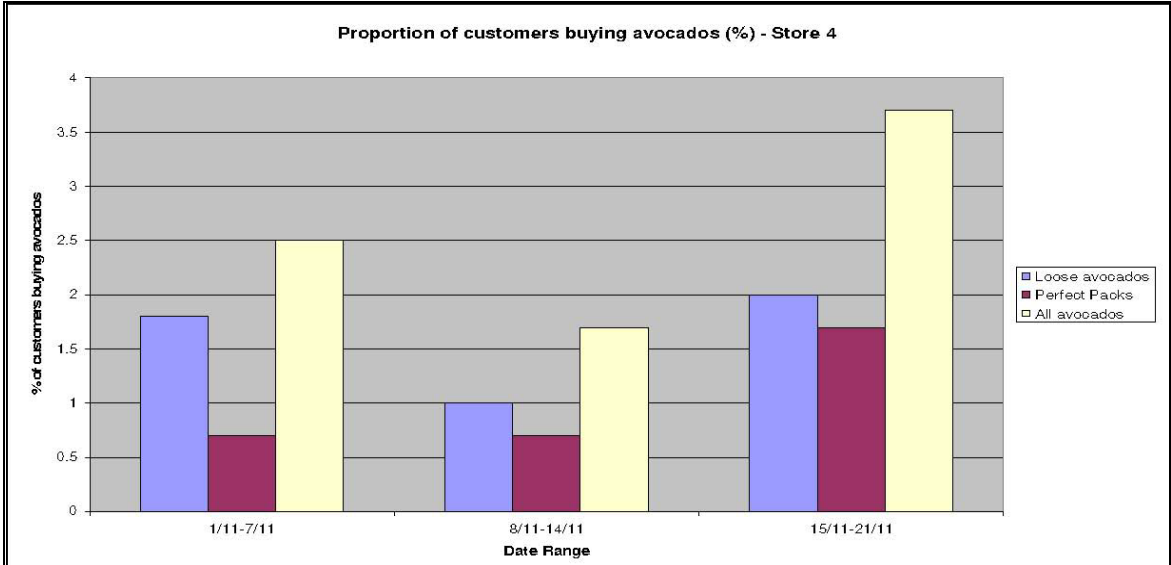
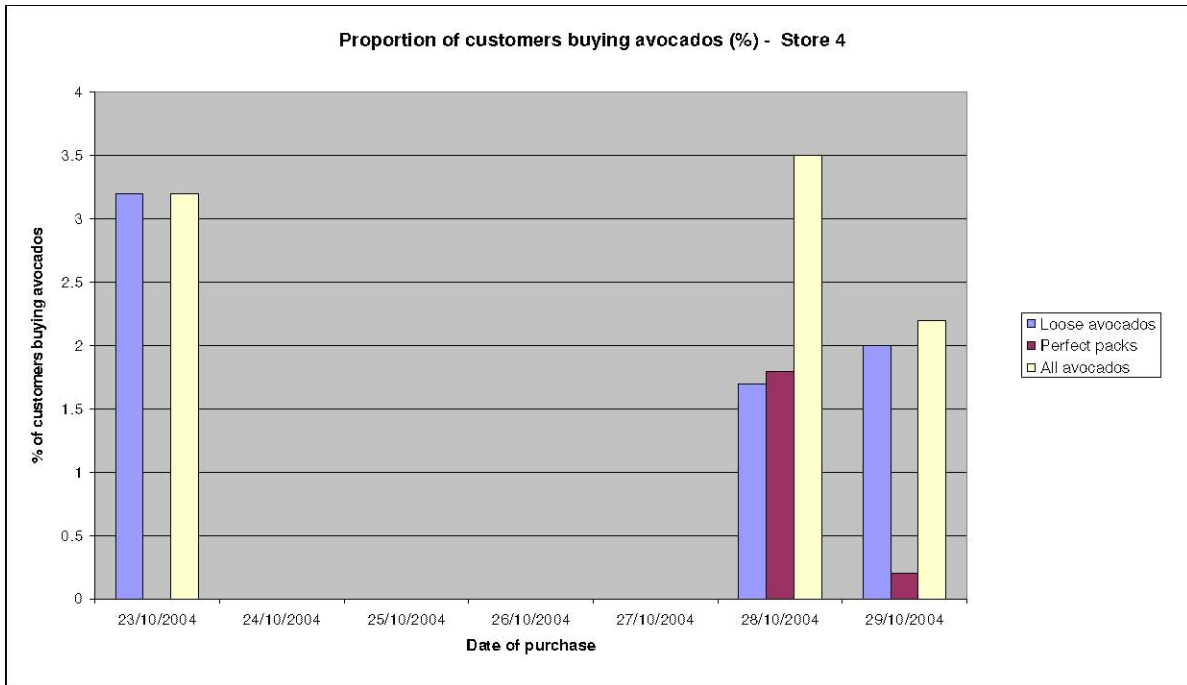


Figure 26: An in-store demonstration was held on Thursday, 28/10 from 3:30pm to 7:30pm. As the percentage of customers buying **Perfect Packs** decreased, there was a closely matched reduction in the proportion of customers buying avocados.



In-store Product Benchmarking

The in-store product benchmarking showed significant variability in the characteristics and quality of the loose and value prepack avocado lines while the 'Perfect Pack' was of consistent quality and characteristics.

Figures 27, 28 & 29: The **Perfect Packs** consistently exhibited a high percentage of "No Blemish", compared to **loose**, in which the majority of fruit had "Slight Blemish" to "Significant Blemish" levels. The **4 Packs** displayed mainly "No Blemish" or "Slight Blemish" levels.

Figure 27:
Loose
Avocados –
Blemish Levels
– Store 3

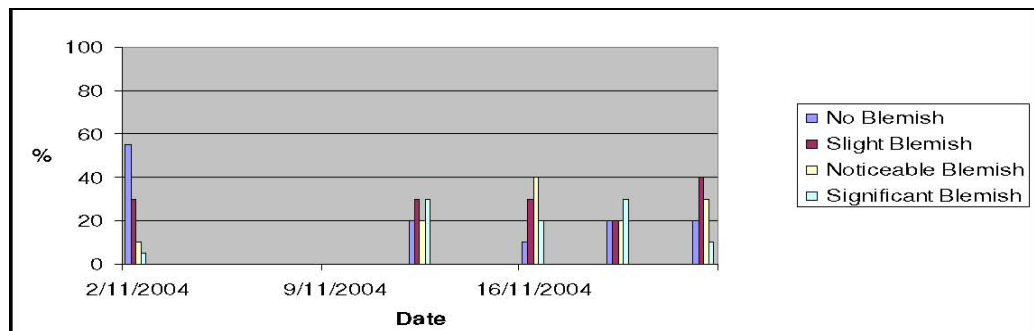


Figure 28:
Value 4 Pack
Avocados –
Blemish Levels
– Store 3

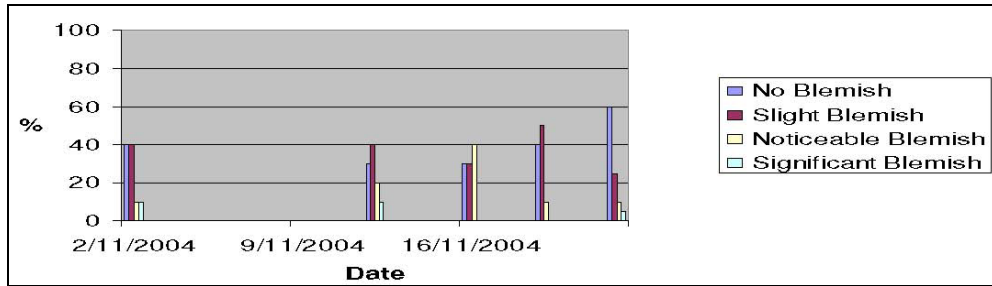
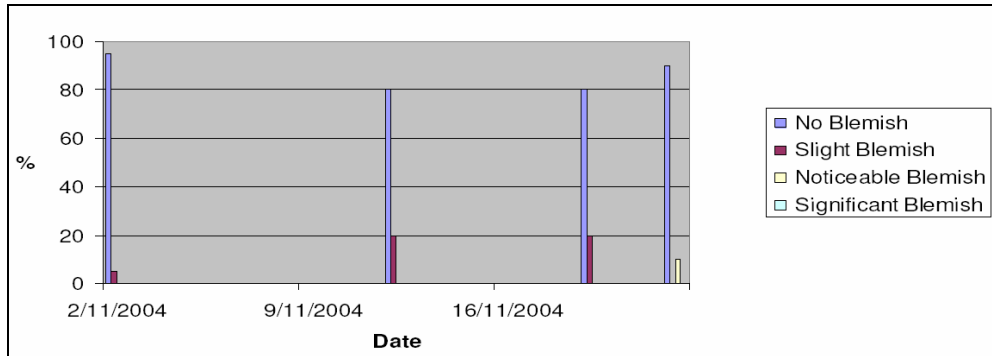


Figure 29:
Perfect Packs –
Blemish Levels
– Store 3



Figures 30, 31 & 32: The majority of *loose avocados* (80% or more) and *4 Packs* (60% or more) were size “22-23-25”, whilst all fruit in the *Perfect Packs* were size “18-20”.

Figure 30:
Loose Avocados
– Size – Store 3

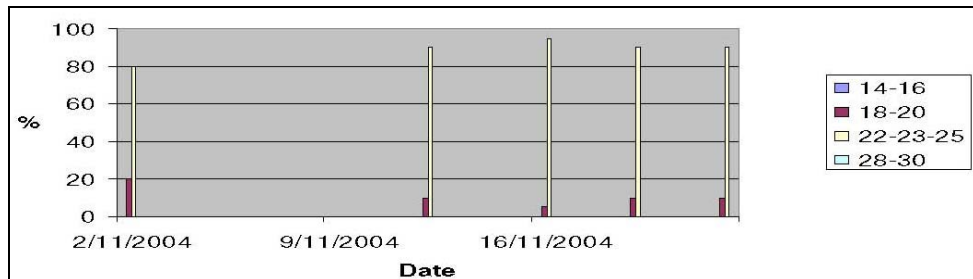


Figure 31: 4
Pack Avocados
– Size – Store 3

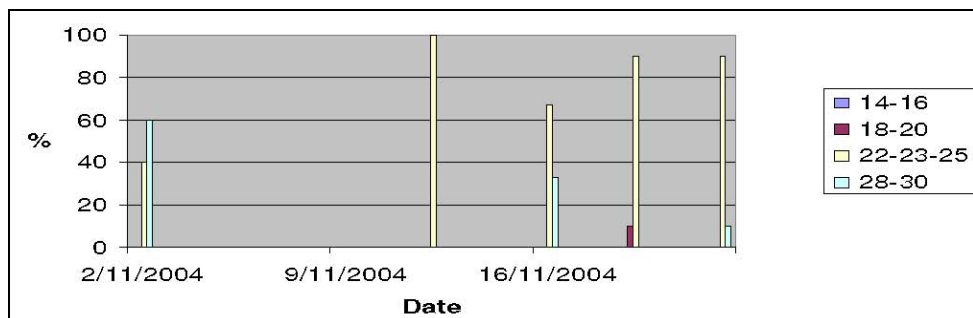
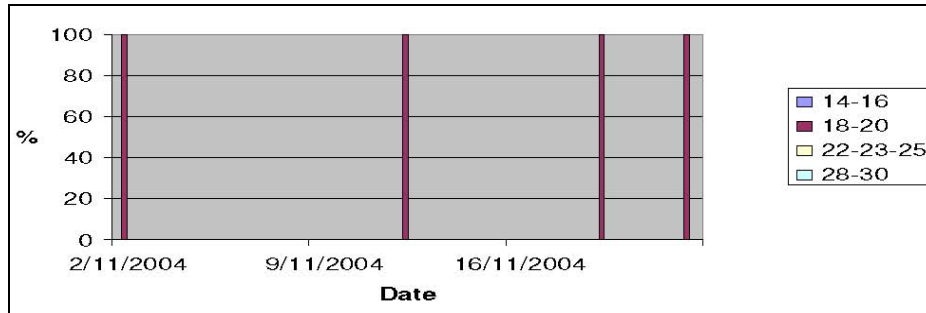


Figure 32:
Perfect Pack
Avocados – Size
– Store 3



Figures 33, 34 & 35: The *loose avocados* and the *4 Packs* had, on average, 70% or more of the fruit “Normal” shape. 100% of the fruit in the *Perfect Packs* was “Normal” in shape.

Figure 33:
Loose
Avocados –
Shape –
Store 3

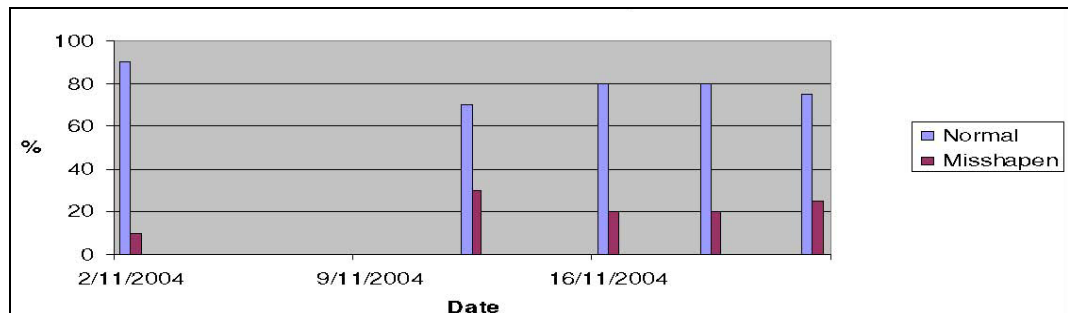


Figure 34: 4
Pack
Avocados –
Shape –
Store 3

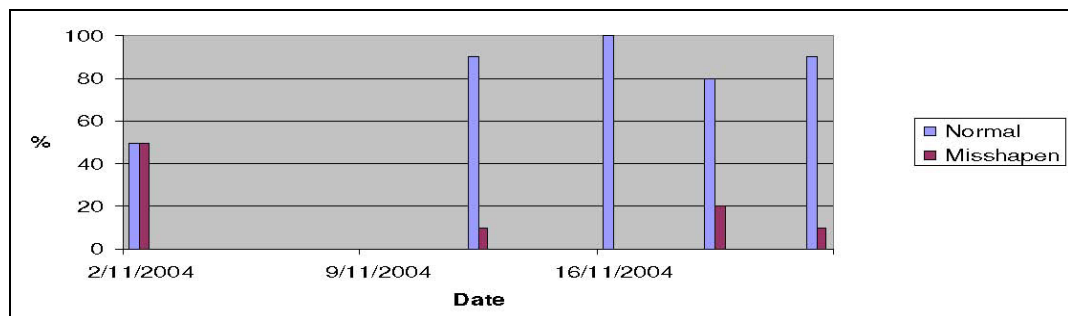
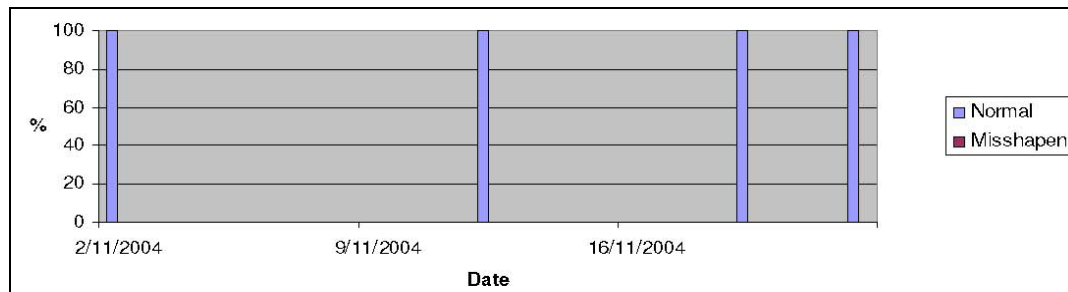


Figure 35:
Perfect Pack
Avocados –
Shape –
Store 3



Figures 36, 37 & 38: The *loose avocados* and *4 Packs* had similar combinations of “Green”, “Black” and “Green/Black” fruit colour. All of the fruit in the *Perfect Packs* were either “Black” or “Green/Black” in colour.

Figure 36:
Loose Avocados
– Colour – Store
3

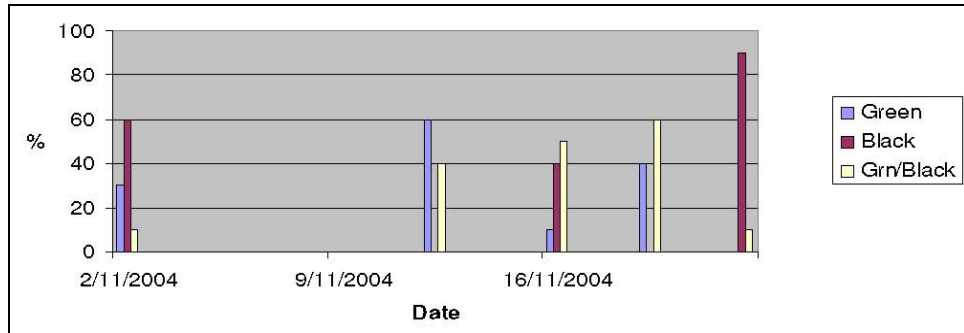


Figure 37: 4
Pack Avocados
– Colour – Store
3

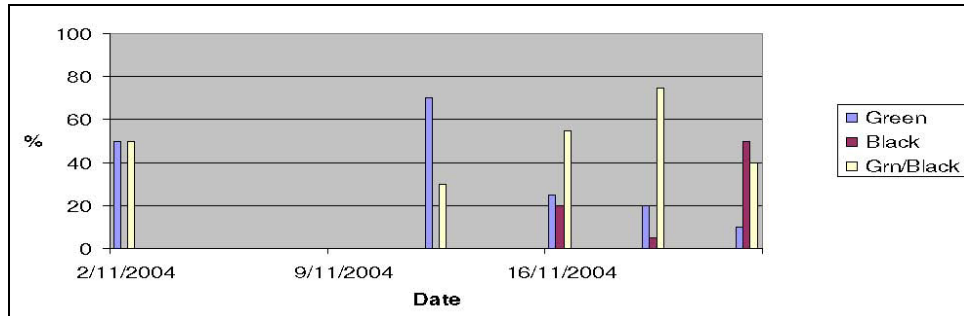
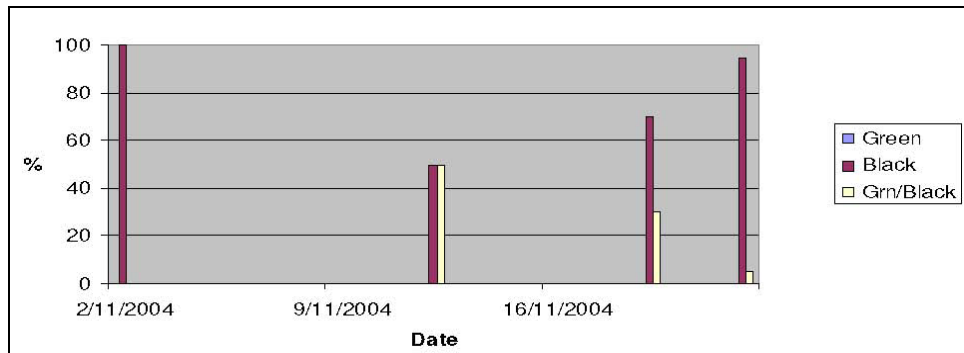


Figure 38:
Perfect Pack
Avocados –
Colour – Store 3



Figures 39, 40 & 41: The *loose avocados* and the *4 Packs* had fruit with mainly “Hard” or “Slightly soft” levels of firmness. The *Perfect Packs* had a significantly higher incidence of “Soft” and “Very soft/mushy” fruit firmness.

Figure 39:
Loose Avocados
– Firmness –
Store 3

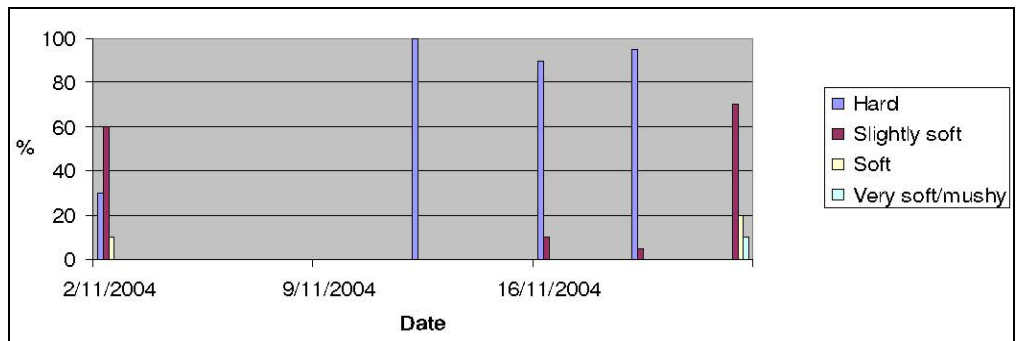


Figure 40: 4 Pack Avocados – Firmness – Store 3

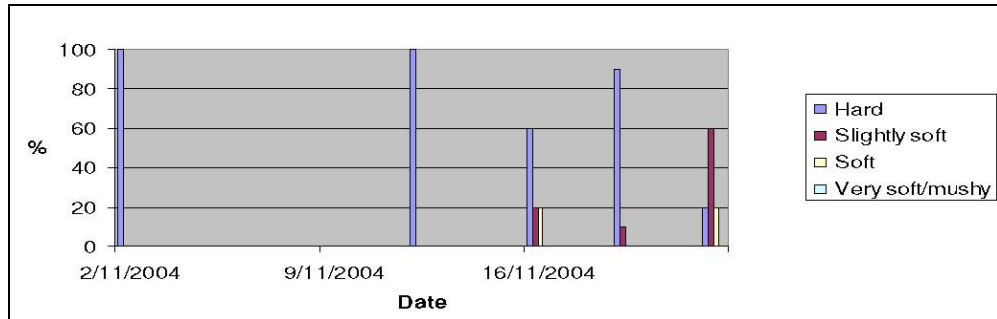
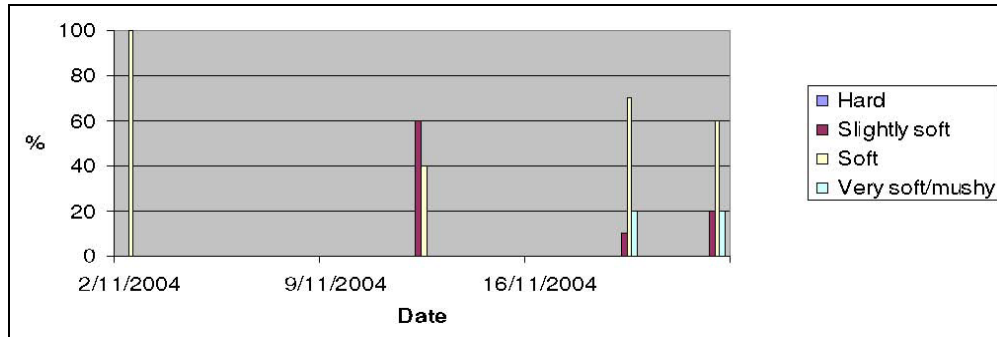


Figure 41: Perfect Pack Avocados – Firmness – Store 3



CONCLUSION

Effect on Avocado Sales

The Fresh Change Programme identified that the Perfect Pack experienced positive market acceptance with overall growth in both sales and gross profit during the pilot phase. In some instances the average daily profit of the Perfect Packs exceeded that of loose avocados during the two month period.

Analysis of total daily average turnover for all avocado products prior to, and after, the introduction of the Perfect Packs has shown that for some periods this figure has doubled. The introduction of the Perfect Pack did not always ‘poach’ sales from loose avocados, but rather generated additional product sales and resulted in an overall increase in avocado sales.

Product Differentiation

The monitoring of product quality clearly demonstrated that the avocado ‘Perfect Pack’ had very low levels of variability in terms of fruit quality and was always at the stage of ripeness ranging from sprung to eating ripe. Other product lines including other ‘value’ pre-packs and loose avocados shows a wide range of variability in product characteristics and quality over the two months monitoring period.

The ‘Perfect Pack’ was consistently of a high and constant quality and over time constituted a markedly different and more reliable offer to the consumer.

Consumer Survey Responses

The survey results suggested that consumers ‘shopped’ around when purchasing their avocados. The ‘Perfect Pack’ may represent an opportunity to provide consumers with a

guaranteed product, increase consumer confidence, develop a powerful brand and increase sales of avocados.

Stage of ripeness and overall quality are key drivers in consumers' decision making process when considering purchasing avocados. The premium image was captured by the packaging and that most respondents felt that the packaging protected the avocados. The quality guarantee was not considered a major incentive to buy this product in preference to other avocados. A large percentage of the respondents were prepared to pay a premium for a 'perfect' avocado.

The consumer survey responses confirmed that there are a large percentage of consumers who are seeking the attributes of guaranteed quality, a ready to eat product, branding to identify the product and are not strongly price sensitive. The results indicated that consumer satisfaction with the eating experience was more important than the price.

Advantages gained from using the Fresh Change programme:

- Provided detailed analysis of the scan and product display data from individual retail stores together with Consumer Feedback Surveys that reveals strategic information on the relationship between product attributes and sales
- Identified the 'drivers' which influenced buyers' purchase decisions.
- Enabled a clearer picture to enhance category management and strategic planning
- Became a very useful and convincing tool when used jointly by supplier and retailer to evaluate the current situation and the impact of changes at retail.
- Strengthened the relationship between retailers, the marketer and suppliers and enabled stronger influence and communication between all stakeholders.
- Identified a strategic approach to capture opportunities for improvement and innovation in retail performance and supply chain processes.