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Seafood Distribution Strategies

Merchandising Strategies for Retailers in the 90s

by

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Graul's Markets

We operate four full service supermarkets under the name of Graul's Markets in the Baltimore and Annapolis areas of Maryland. We have been in business in this area for over 70 years. Our stores are generally considered to be the highest quality markets in our trading area.

Each store has a complete service bakery, deli, meat department and seafood department. We try to be as service oriented as we possibly can be in all aspects of our operation.

Approximately ten years ago we began to improve our seafood sales in our stores by changing from a self service and prepackaged seafood operation to a service operation. We started by remodeling and changing our store in Ruxton, a suburb of Baltimore, to a service seafood department. Within several months of the changeover we doubled our sales in the store's seafood department. After the first year, sales had actually increased to nearly three times what they had been in the self service department.

We found that most varieties sold much better when presented in the service cases. We did find that some varieties, such as crabmeat and oysters, sell better iced in a self service display.

After the Ruxton store's success with this concept we started to change over the other three stores. Every store had a similar increase in sales, and within one year had increased sales by at least two and one-half times the self service operations they had previously.

I think that there are reasons other than the service case for the dramatic sales increases. The fact that there is always a clerk available to discuss the freshness and cooking instructions of each variety sells much more product than could be sold self service. Of course the labor costs in the seafood department double when the service operation begins.

We have found that the additional labor cost is well worth it as we have also been able to increase our gross margins by five to ten percent with this operation. The increase is due to faster turnover and less shrinkage as well as the ability to sometimes get a higher price for selected items.

We have noticed a change in customers' buying patterns as they seem to prefer fillets to whole fish in a much greater proportion. Also, prepared seafood items have become a very significant part of our seafood volume. Ready-to-cook and semi-prepared foods also are in good demand.

Our stores have continued to buy as much product direct as possible to improve our quality and pricing of seafood. The most significant items that we buy direct are shrimp, scallops, salmon, swordfish, lobsters, crabmeat and some fish fillets.

Our store's annual volume is over 50 million dollars, of which seafood accounts for over three and one-half million dollars this year. Seafood sales in the stores range from five to seven and one-half percent of seafood department sales. Gross margins, including sale items, usually come in between 28 to 35 percent depending on the store location.

The challenges that we see in the 90s in the seafood departments are continued availability of quality products at reasonable prices and the ability to attract and retain good employees in our operation. We think that inspection of seafood will help to address the quality problems that we have at this time.

We currently are involved in two aquaculture projects as we believe that this is the most dependable way to ensure quality seafood in the future. A shrimp farming project in South Carolina is currently under study by us for investment purposes as well as a supply of extremely high quality shrimp. The other project that we are involved with is a hybrid striped bass marketing program. This program is being conducted by Virginia Tech, Maryland State Department of Agriculture and the USDA. We are the retail stores that are the marketing arm of this study and are currently doing in-store demos of the product as well as extensive consumer surveys.

Any successful seafood retailer in the 90s will find that it will take hard work to satisfy his customers' needs, and he must plan for the changes in consumer buying habits.