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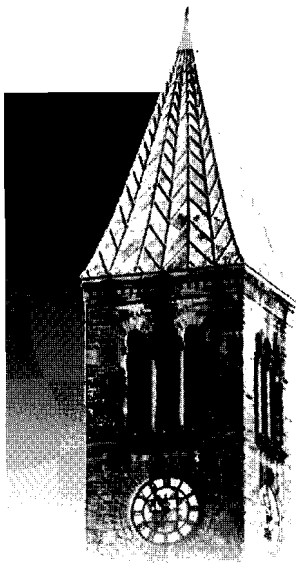
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FOOD INDUSTRY
MANAGEMENT

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Sept. 1998

FreshTrack 1998

Marketing and Performance
Benchmarks for the
Fresh Produce Industry

With a
Focus on People

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Teaching • Research • Executive Education



FreshTrack 1998:

*Marketing and Performance Benchmarks
for the Fresh Produce Industry*

With a

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Geoffrey M. Green

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MANAGEMENT

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Executive Summary

FreshTrack 1998 explored labor and human resource issues for the fresh produce industry at several levels in the fresh produce distribution system: grower/shipper, wholesale/distributor/broker and retailer. This report categorized the main issues and challenges facing the produce industry into three principal categories: employee recruiting, training and retention. In addition, marketing and performance benchmarks were collected as a part of the continuing efforts to mark important trends in the industry.

Focus on People

Three principal conclusions emerged from the labor study. One, small companies within the produce system may be too resource constrained to have fully developed human resource programs. Often, these companies lack structured efforts in recruiting and training, as well as "attractive" and "competitive" salary and benefit packages. Furthermore, small companies are least likely to have formalized career development programs leaving promising employees with uncertain career paths and unsettled futures.

Also, despite the fact that turnover rates are the highest for non-management employees within the produce system, the majority of companies did not perceive retaining their non-managers as being difficult. Universally, non-management employees are offered less training, generic career development opportunities (when they exist at all) and fewer benefits than their management counterparts. In an economic climate of low unemployment produce executives may need to rethink their traditional position and offer non-management employees more "management-like" employment incentives.

Three, most produce companies view human resources from a traditional viewpoint. Typically, responses were largely "expected." In other words, the tried and true methods of recruiting, training and retention continually emerged with very few truly innovative ideas surfacing from the pool of responses. Innovative and effective recruiting, training and retention methods, together with their tried and true methods, should help bolster labor pools with quality candidates who are committed to their jobs and to the company.

Marketing and Performance Benchmarks.

Non-traditional produce items such as specialty, organic and packaged salads continue to increase in importance with increases still seen in packaged salads between 1997 and 1998. Contracting may show some signs of cautious growth, while partnerships between grower/shippers and wholesalers are growing faster than previously predicted. Electronic Data Interchange, however, shows some signs of stalling as no increases in use were seen over last year's levels.

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Next, we would like to especially thank the industry “steering committee” who gave freely of its time to review draft questionnaires and to share insights regarding appropriate interpretation of the study results.

A number of individuals were instrumental in producing the report. Janelle Tauer and Steve Kern provided artistic and graphical expertise in a highly professional and timely manner. We offer them our heartfelt thanks.

Finally, we owe a great debt to the produce industry members who patiently filled out thousands of pages of surveys and answered an equal number of interview questions out of a genuine interest of improving the performance of their industry. Although they were guaranteed anonymity, we thank them individually and collectively. Without their participation, this report would not have been possible.

Foreword

The fresh fruit and vegetable industry has been one of the most dynamic in the U.S. food system for the past quarter century. Approaching the Year 2000, consumer demand for fresh fruits and vegetables is increasing, more sophisticated management practices at all levels in the system are producing strong and expanding sales, and suppliers are responding with more flavorful varieties, new technologies and overall increases in efficiency. Yet a considerable number of opportunities and challenges are the by-products of such dynamism.

This report, is the second in an annual series of “benchmarks” studies conducted each year by Cornell University’s Food Industry Management Program in cooperation with the Produce Marketing Association. The report sets out to accomplish two goals.

First, it charts the changes in a set of “benchmark” measures to assist produce industry executives in understanding the opportunities and challenges that are inherent in their changing industry. The measures have been developed through extensive interviewing and mail surveys with executives and organizations at virtually all levels of the produce industry.

Second, each year a specific industry topic is identified for special, more in-depth examination. Thus, this year, the focus of the report is people: trends, opportunities and creative solutions to the pervasive human resource and training challenges faced by all organizations. We examine recruitment, training, and retention issues in the produce industry.

We hope you find the report both provocative and useful in planning your company’s own future. We welcome your comments.

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Introduction

For nearly two decades, fresh produce has enjoyed the status of one of the most innovative and dynamic among the major sectors in the U.S. food industry. Like any industry, the success of the fresh produce industry can be explained by its capacity to respond to change. Driven primarily by new and renewed interest in fresh produce as a good tasting route to better health and living, the industry has responded at all its levels with new products, advanced technologies and more efficient business practices.

This report, conducted by the Food Industry Management Program at Cornell University for the Produce Marketing Association, is the second in a series of annual research reports documenting these changes in the fresh produce industry. The first report, *Marketing and Performance Benchmarks for the Fresh Produce Industry* and its companion in-depth report, *The Fresh Produce Wholesaling System: Trends, Challenges and Opportunities* were published in 1997 and are available from the Produce Marketing Association.

Goals and Objectives

The Board of Directors of the Produce Marketing Association determined that the produce industry lagged behind certain other major food industry



sectors of the U.S. food system with respect to a knowledge of its own marketing and performance measures. The belief was that certain system-wide “benchmarks” were needed in order to chart where the industry had been and how far it had progressed. Such information would then provide the foundation to identify industry needs and opportunities and to speculate about possible industry directions in the future. Thus the Board initiated a research study, known as *FreshTrack*, to be conducted annually to meet this industry need.

This study has two overarching goals. First, the study proposes to establish a series of marketing, operational and performance measures to be used for planning and evaluation purposes for both private

firm managers and public policy makers who serve and interact with the produce industry. These benchmarks will be tracked over time in order to develop an accurate picture of industry status, detect new developments in the industry and signal changes in industry direction and operating practices. Continuous benchmarks are established in this report for three distinct industry sectors: grower/shippers, wholesaler/brokers and retailers.

Second, each year, one specific theme will be identified for in-depth examination. This theme may be common to all industry members or it may affect one particular segment more than another. This year the theme selected, in conjunction with the PMA professional staff and our industry steering committee, is *Focus on People*. Among the various industry sectors, we investigate the trends, challenges and opportunities that confront virtually all produce companies in their human resource and training areas.

Study Approach

The method guiding this study has three principal components: (1) a review of the relevant trade and academic literature on the fresh produce industry, (2) an extensive national mail questionnaire, and (3) personal interviews with industry practitioners.

A mail questionnaire was developed for each of three distinct industry segments: retailer, wholesaler/broker, and grower/shipper. Although foodservice operators were also surveyed in the 1997 report it was decided not to include them in 1998.

The questionnaires were developed in concert with a steering committee of twelve produce executives selected, with the help of the professional staff of the Produce Marketing Association, to be representative of the many different facets of the fresh produce industry. Before mailing the surveys, each of the three questionnaires was pre-tested with a number of operators from each of the three distinct industry segments. The questionnaires varied in length from six to approximately eight pages (interested readers

are invited to contact the authors regarding questionnaire format and detail).

The questionnaires were mailed to a total of 1,600 produce executives. The individuals and their mailing addresses were obtained from a variety of sources: the *Supermarket News: Retailers and Wholesalers* (1996); various membership lists of the PMA; the *Green Book*, a produce market information directory produced by the National Association of Produce Market Managers; and Cornell's own proprietary mailing list of food industry companies. The design of the questionnaire, as well as the mailing procedures, conformed to the Total Design Method (TDM) as established by Dillman (1978).

The personal interviews had two objectives. First, through discussions with the industry steering committee and visits to numerous produce operations, efforts were made to ensure that the mail questionnaires solicited the types of information that would be of optimal use and benefit for the industry. Second, once the preliminary analyses of the survey results were conducted, interviews were held with produce industry firms from coast to coast to assist with the interpretation of the findings as well as to allow for industry reaction and perspective regarding the initial survey findings. Although no attempt was made to be random or comprehensive in this primary data collection effort, the executives interviewed were selected for their representativeness, geographical dispersion and operational diversity.

The 1,600 surveys sent generated a total of 247 responses from produce companies in three primary industry segments: grower/shipper (110), wholesale/broker (98) and retail (39). The sample of respondents varied both geographically and in size distribution. Although the mailing list consisted primarily of PMA members, the respondents ranged from among the largest multi-billion dollar retailers to the single store operator and from the largest multi-commodity grower/shipper to single crop farmer. The representative nature of the response group allows a cautious generalization of the survey results to the industry as a whole.

Moreover, although the respondent group in 1998 is not identical to that of 1997, the large size of both respondent groups generates industry averages in such a way that benchmark comparisons can be made fairly between the two years.

Organization of the Produce Industry

The U.S. fresh produce industry is as complex and fragmented as it is dynamic. It is populated with both small and large companies, although the former dominate the numbers. There are, for example, over 150,000 fruit and vegetable farms in the United States, although fewer than 1,000 of them serve as the principal suppliers to the U.S. fresh produce system.

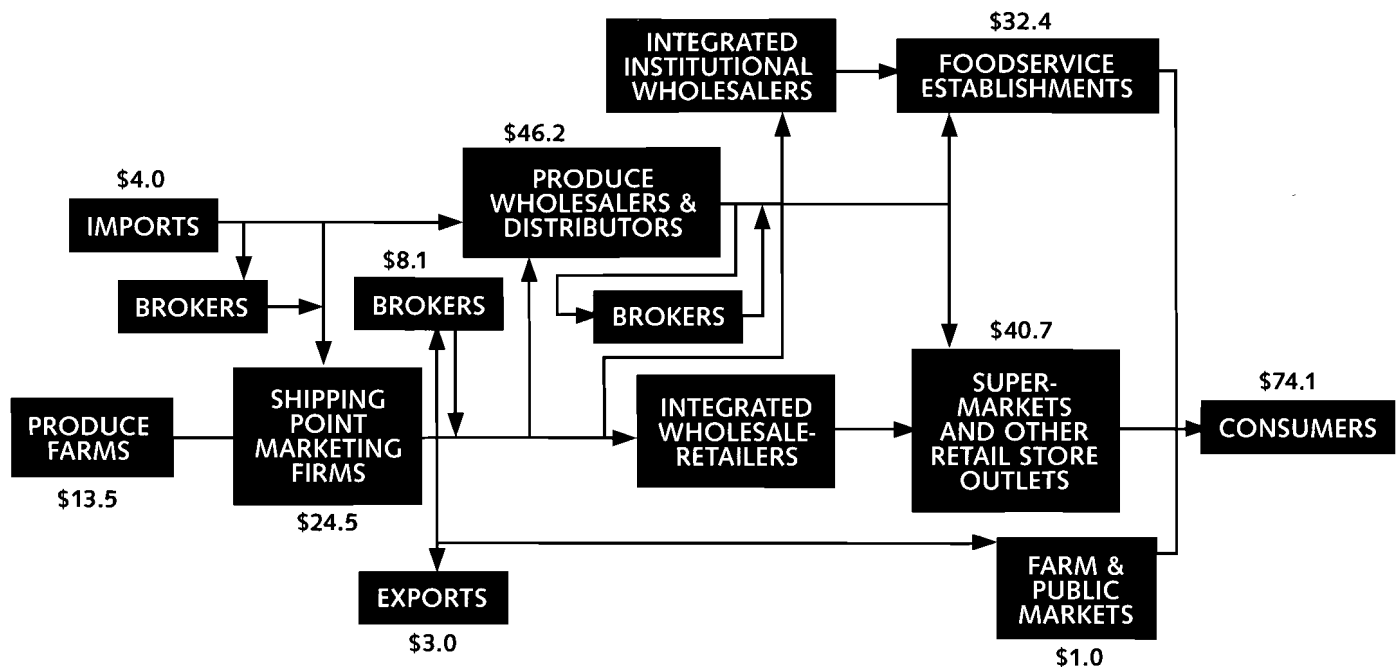
Figure 1.1 presents a simplified schema of the organization of the U.S. fresh produce industry and its product flows. This industry blueprint serves at the same time as a useful guide to the issues put forth in this report. The figure depicts the channels through

which fresh fruits and vegetables may move between farm and consumer and approximates the dollar volumes that may move through these channels for a “typical” year in the mid to the late 1990s. Figure 1.1, for example, shows that fresh produce farm sales, before packing and shipping charges, were approximately \$13.5 billion in a typical year in the mid to late 1990s. Further, when including all outlets, consumers purchased approximately \$74.1 billion worth of fresh produce in the same year. The difference represents the value added by the various and multi-faceted businesses that fill the boxes between the two system extremes.

These data are compiled from many different sources and since not all of these sources are published every year, it is not possible to provide these estimates for one specific year. The idea is to present a “representative year.” Our research team believes that

FIGURE 1.1

U.S. Fresh Fruit and Vegetable Marketing System, Mid/Late 1990s
(billions of \$)



Source: 1992 Census of Agriculture (1994), unpublished data from the Economic Research Service (USDA), trade data, and Cornell estimates.

the figures represented here are directionally correct and provide an accurate picture of the dollar values moving through the respective produce channels.

Considerable research integrating industry, university and state and federal governmental data went into the construction of this industry profile. For any reader interested in the methodology of constructing the estimates as well as the detail of how these fresh produce channels have evolved over the past twenty years, a separate report, *Changing Distribution Patterns in the U.S. Fresh Produce Industry: Late '70's to the Late '90's* is available from the Food Industry Management Program at Cornell University.

A Word about Terminology

A word about the terminology and definitions used for this study should be mentioned. When used in this report the term “grower/shippers” includes primary producers of fresh produce and those involved in the primary packing and shipping of those products.

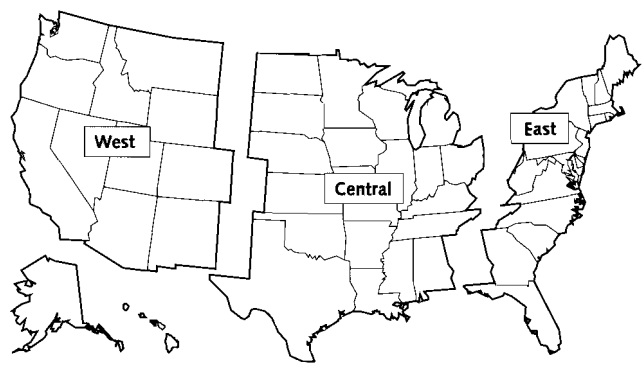
The term “wholesalers,” as used throughout this study, refers to a very broad segment of the produce distribution system. It encompasses virtually all types of produce handlers and operators between the shipper’s sales desk and the retail sector, whether supermarket or foodservice. Included are various types of commission merchants, brokers, distributors, terminal and off-market wholesalers, repackers, importers, and exporters.

“Retailers” covers grocery and supermarket companies retailing directly to the end consumer. The term also includes those integrated grocery wholesalers who indirectly represent many of the small, independent grocery retailers not otherwise included with supermarket retail chains. Responses to several questions from our national survey were additionally segregated by geographic region of the U.S. The regions used in this report to provide these in-depth investigations are shown in Figure 1.2.

Responses to several questions from our national survey were additionally segregated by geographic region of the U.S. The regions used in this report to provide these in-depth investigations are shown in Figure 1.2. ●

FIGURE 1.2

U.S. Geographic Regions



Employee Statistics

National Statistics

National Employment

Bureau of Labor Statistics' reports on national employment hours per worker for all U.S. industries indicate that after many years of declining average weekly employment hours in some industry sectors, especially manufacturing, an increase is now being observed in workers' weekly hours. In 1997, manufacturers used 42.0

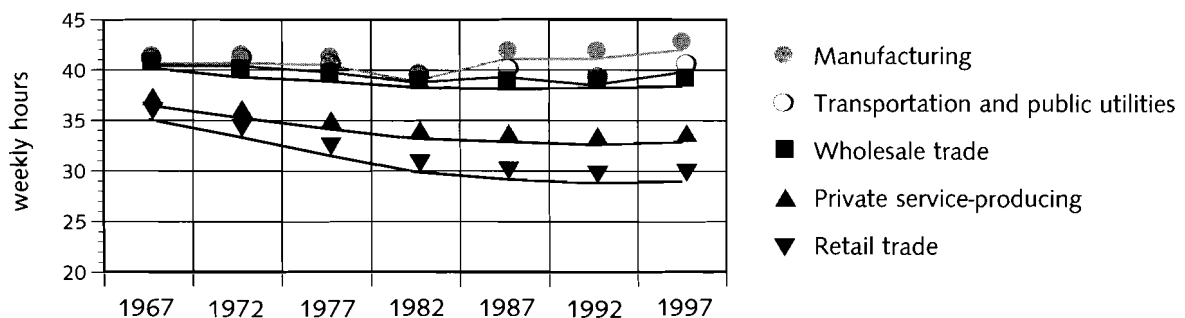
average weekly employment hours per worker, an increase from 1967 when the figure was 40.6 (Figure 2.1). For some manufacturers this may mean more overtime due to the recent boom in the economy, for others this may mean a cessation of hiring part-time



workers in the workforce. The retail industry in particular saw a large decrease in average weekly employment hours since 1967 related, in all likelihood, to the increase in part-time labor in retail stores. In 1967, retailers averaged 35.1 weekly hours

FIGURE 2.1

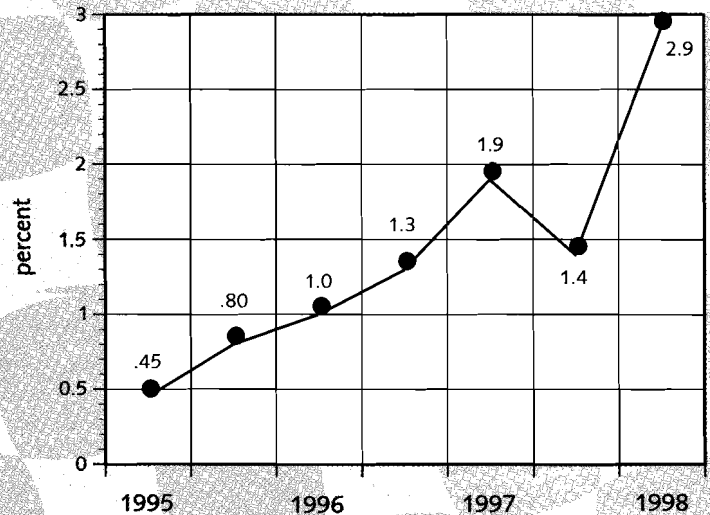
National Average Weekly Employment Hours per Worker



Source: Bureau of Labor Statistics, *Current Employment Statistics*, Nonfarm Payroll Statistics, 1998

Changes in Real Wages and Salaries vs. Previous Year

The benefits of a sea of innovation in the U.S. and world economies are beginning to boost workers' incomes. Real wages for the median worker in the U.S. economy rose at a 2.6 percent annual rate from 1996 through the first half of 1998, reversing the decline of 0.8 percent a year from 1989 to 1996. These gains were greatest among lower-paid employees. Wages for workers in the 20th percentile – those earning less than 80 percent of American workers – increased at a 3.6 percent annual rate during this period. Of course, this growth is especially important for the lower wage employees characteristic of the agriculture and food system.



Source: Bureau of Labor Statistics, Economic Policy Institute, 1998

per worker, while in 1997, retailers had 29.0 average weekly employment hours per worker. In 1967, wholesalers used 40.2 weekly employment hours per worker, and in 1997 they used 38.4 (Figure 2.1).

Nationwide Unionization

Union membership has continued to decline slightly as the percent of workers represented by unions or by employee affiliations drops. The share of workers who are union members has decreased steadily since 1983. Currently, 2.4 percent of agricultural workers under wage and salary packages work under union representation, compared to 10.8 percent of all private, nonagricultural workers who work under union representation (Table 2.1). Of all private, nonagricultural industries, the industry with the highest union representation in 1997 was the transportation industry (27.9%) followed closely by communications and public utilities workers (26.7%). The retail and wholesale trades are 6.1 and 6.6 percent unionized respectively. In addition, just over 42 percent of government workers (federal, state and local) are represented by unions.

The Fresh Produce Industry: Grower/Shippers

Size of Firms

As employers, fresh produce grower/shippers vary greatly with respect to the size of their labor forces. From small to large, companies report anywhere from a handful of employees to over 1,000 employees. The average number of full-time equivalent (FTE) employees for grower/shippers in 1997 was 438, with nearly half of these workers characterized as seasonal workers (Table 2.2). Businesses with less than \$5 million in annual sales report having 119.4 employees, however 92.5 of these are seasonal workers.

Most grower/shipper employees work full-time, with 98.6 percent of managers and 95.6 percent of non-managers working full-time. In this study, non-managers were defined as "employees requiring some level of supervision and who have limited or no decision making, e.g. field workers, packing shed workers, mechanics, shop operators, trucker drivers,

TABLE 2.1**Workers Represented by Unions in 1997¹, by Industry**

Industry	Percent of Employed Workers
Agricultural wage and salary workers	2.4
Private nonagricultural wage and salary workers	10.8
Manufacturing	17.2
Transportation	27.9
Communications and public utilities	26.7
Wholesale trade	6.6
Retail trade	6.1
Services	6.5
Government workers	42.3

¹ Data refer to members of a labor union or an employee association similar to a union as well as workers who report no union affiliation but whose jobs are covered by a union or employee association contract.

Source: Bureau of Labor Statistics, *Development in Labor Management Relations*, 1998

clerical staff.” Seasonal workers, when working for grower/shippers, also work primarily full-time: 88.6 percent of seasonal workers are full-time employees.

Unionization of Grower/Shippers

Unions have not penetrated the produce industry to the extent of many other industries. Only 8.4 percent of all grower/shippers report being unionized (Figure 2.2). Most unionized grower/shippers are the very largest firms, 30 percent of whom report having had a union for an average of nearly 13 years. Only 7.4 percent of both mid-sized grower/shipper groups

(sales between \$5m-\$30m and between \$30m - \$100m) report having union workers. Both groups have been unionized for a considerable time—approximately 26 years.

Labor Expense

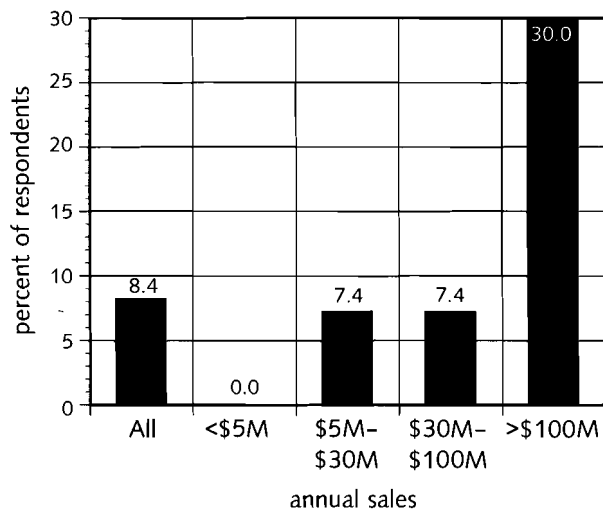
On average, the cost of labor expressed as “labor expenses as a percent of sales” was reported as 19.6 percent. The smallest and largest company groupings report having the largest labor expense as percent of sales, 26.9 and 25.8 respectively (Figure 2.3). The 2 medium-size firm groupings report the smallest labor expense as percent of sales of 18.1 and 18.5 respectively.

TABLE 2.2**Grower/Shippers: Number of Full-Time Equivalent (FTE) Employees, by Firm Size**

Firm size	Managers	Non-Managers	Seasonal Workers	Total FTEs
All firms	14.7	203.0	219.9	437.6
<\$5 million	4.0	22.9	92.5	119.4
\$5M - \$30M	8.2	97.9	54.4	160.5
\$30M - \$100M	15.3	254.8	279.8	549.9
>\$100 million	58.5	870.6	1,149.6	2,078.8

FIGURE 2.2

Percent of Grower/Shippers with Union Workers, by Firm Size



When labor expenses are compared between union and non-union companies, unionized respondents have greater labor expenses as a percent of sales. Respondents with unions report labor as 22.2 percent of sales while respondents without unions report labor as 19.2 percent of sales.

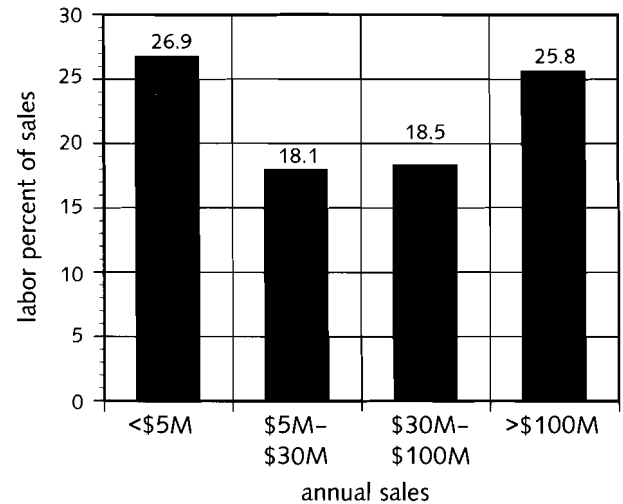
The Fresh Produce Industry: Wholesalers

Size of Firms

For wholesale companies, the number of full-time equivalent (FTE) managers within each firm ranges from 1 to 100. In general, however, the average wholesaler respondent has 10.6 manager FTEs with the company. Respondents with annual sales less than \$20 million have approximately 4 manager FTEs while the largest respondents (annual sales of over \$50 million) employ just over 20 FTEs on average (Table 2.3).

FIGURE 2.3

Grower/Shipper: Labor Expense as Percent of Sales, by Firm Size



As would be expected, there are many more non-management personnel within wholesale companies than management. In this study, non-managers were defined as, “employees requiring at least some level of supervision and who have limited or no decision making, e.g. warehouse crews, mechanics, shop operators, truckers, clerical staff.” When asked to indicate the number of FTEs represented by non-management, executives from wholesale firms report an average of 70.3 non-management FTEs. Non-managerial numbers climb rapidly as firm size increases. On average, firms with less than \$20 million in sales employ 13.1 non-managerial FTEs, whereas the firms with over \$50 million in sales employ, on average, 167.5 non-managers (Table 2.3).

TABLE 2.3

Wholesalers: Number of Full-Time Equivalent Employees, by Firm Size

Firm size	Managers	Non-Managers	Total FTEs
All firms	10.6	70.3	80.9
<\$20M	3.9	13.1	17.0
\$20M-\$50M	12.0	81.5	93.5
>\$50M	20.3	167.5	187.8

U.S. Produce Wholesale Profile

The U.S. Bureau of the Census publishes annual updates on selected statistics from its *Census of Wholesale Trade*, conducted every five years. For the most recent year (1995) the Census Bureau reports the following statistics for fresh fruit and vegetable wholesalers, a designation that includes all brokers, agents and distributors as well:

Total U.S. Employees	Total U.S. Payroll	Number of Employees per Establishment	Payroll/Employee
107,572	\$2.7 billion	19.8	\$25,225

Note that the Census number of employees per wholesale establishment (19.8) is very close to the *FreshTrack* finding for small-size firms (17.0) but not the larger sized wholesalers. This is primarily because the U.S. Census number is influenced heavily by the dominance of small-size wholesalers within the entire population of U.S. produce wholesalers. The *FreshTrack* sample includes a larger proportion of medium- and large-size firms.

Most wholesaler employees, whether managers or non-managers are full-time. The average wholesaler reports 99.3 percent of its managers and 95.9 percent of its non-managers are full-time employees (Table 2.4). This does not appear to vary significantly by size of wholesaler or by region of the country.

Unionization of Wholesalers

In the wholesale produce industry, unions are stronger in some regions of the country than in others. Overall, 16.1 percent of respondents report that they have union workers (Figure 2.4). However, 23.5

percent of wholesalers in the East have union workers, and only 7.4 percent of wholesalers in the Central region report being unionized. This should not be surprising considering that the Eastern U.S. contains a relatively large number of older terminal markets which historically have been strongly unionized.

In addition, those wholesalers with unions were asked how long they had had union workers. Again, respondents in the East report having unions for longer (35.5 years) than either the Central (27.5 years) or West (32.6 years) regions of the country (Figure 2.5).

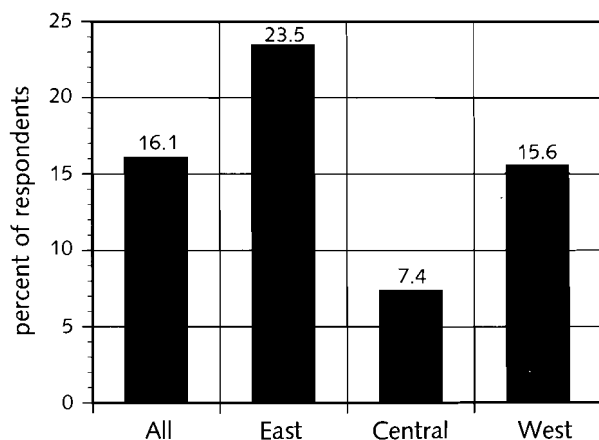
TABLE 2.4

Full-Time Personnel for Wholesalers, by Firm Size

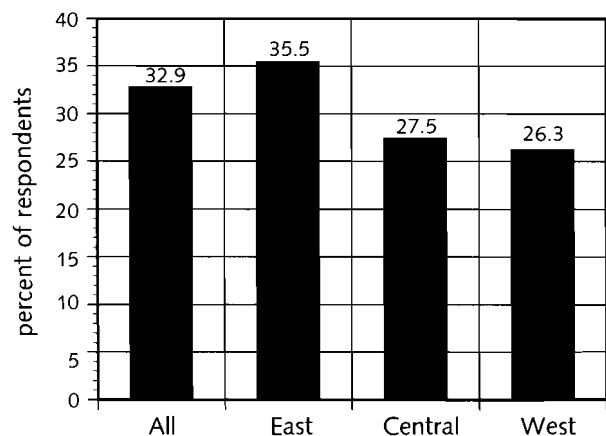
Firm size	Managers	Non-Managers
	<i>percent full-time</i>	
All firms	99.3	95.9
<\$20M	96.4	96.7
\$20M-\$50M	99.7	95.1
>\$50M	100.0	96.4

FIGURE 2.4

Percent of Wholesalers with Union Workers, by Region

**FIGURE 2.5**

Wholesalers: Number of Years Unionized, by Region



Labor Expense

Labor expense expressed as a percent of sales varies by respondent size, however, not in the predicted fashion. According to respondents in the produce wholesaling industry, labor expenses may increase as a direct function of firm size. Labor expense, as used here, includes benefits expenses as well as salaries and wages. Respondents with annual sales of less than \$20 million have the lowest labor expense of 12.9 percent of sales (Figure 2.6). Respondents with sales of \$20-\$50 million report a labor expense of 15.3 percent of sales, while respondents with sales over \$50 million

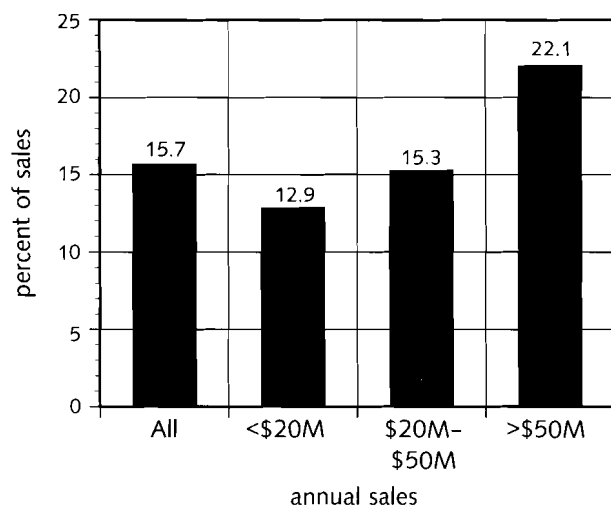
report a labor expense of 22.1 percent of sales. While these differences could possibly be explained by productivity differences, it seems more likely that larger firms have more attractive salary and benefit programs.

In the Eastern U.S., wholesalers report labor expense of 17.0 percent of sales, the Central region reports 16.0, and the West reports labor expenses as 13.9 percent of sales (Figure 2.7).

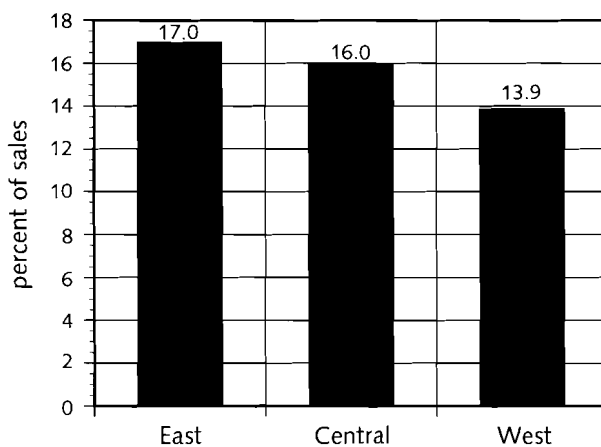
Wholesalers with unions also report a slightly larger labor expense as a percent of sales, 16.5 percent, than wholesalers without unions who report labor as 15.5 percent of sales.

FIGURE 2.6

Wholesaler: Labor Expense as a Percent of Sales, by Firm Size

**FIGURE 2.7**

Wholesaler: Labor Expense as a Percent of Sales, by Region



The Fresh Produce Industry: Supermarket Retailers

Unionization of Supermarket Retailers

Survey respondents were asked to provide information regarding unionization in their companies. First, they were asked whether or not their company has union employees. Overall, 50 percent of retail respondents answered “yes” they have union workers. However, when analyzed according to firm size, large disparities exist. Seventy-nine percent of large firms (sales > \$1.5B) have union workers while only 25 percent of smaller companies (sales < \$300M) report having union workers. Forty-two percent of mid-size companies (annual sales between \$300M and \$1.5B) answered “yes” to this question (Fig. 2.8). These figures point to the continued strong dominance of family owned and operated firms – non-unionized – among smaller retail companies.

Second, produce executives were asked to indicate the length of time their company has been unionized. On average, survey respondents indicate that they have had union workers for almost 37 years. Large firms have been unionized the longest, for almost 41 years, while mid-size firms have been unionized for 32.5 years and small firms for 28.3 years (Figure 2.8).

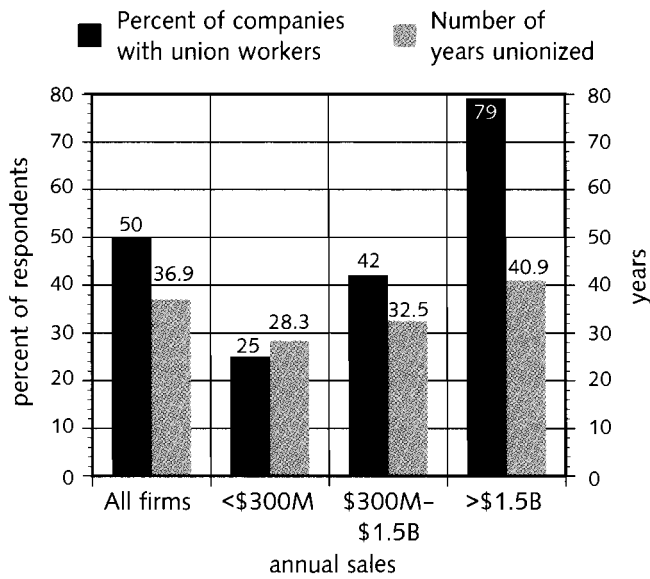
Labor Expense and Productivity

One measure of productivity commonly used by retailers is a calculation of labor expense as a percent of total store sales. For example, The Food Marketing Institute (FMI), in its 1998 *Food Marketing Industry Speaks* study, reports the median store labor expense as a percentage of sales for all stores is 10.1 percent.

Produce executives responding to this survey report, on average, a rate of 9.6 percent for produce labor as a percent of produce sales, remarkably close to the FMI figures. Large firms report the highest produce labor expense at 9.9 percent of sales, mid-size firms indicate a 9.0 percent labor expense while small firms are very close to larger firms with produce labor expense at 9.8 percent of sales (Figure 2.9).

FIGURE 2.8

Supermarket Retailers: Union Status by Firm Size

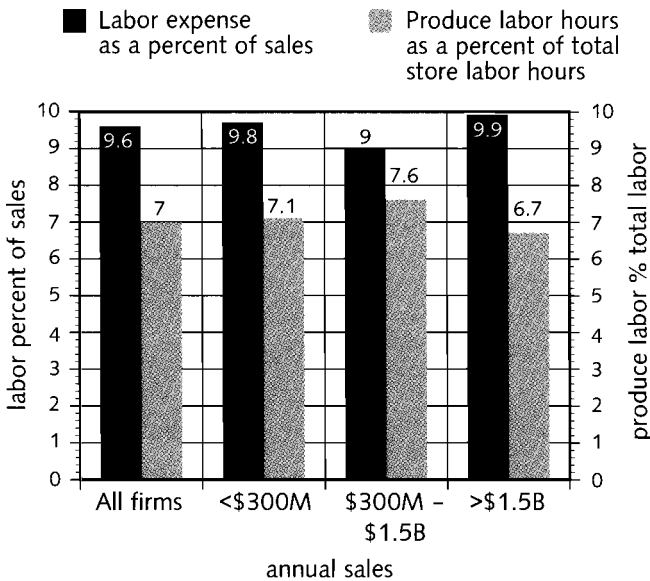


Another common measure of retail labor efficiency is “labor hours as a percent of store labor hours.” On average, for all firms, a figure of 7.0 percent is reported. In other words, 7.0 percent of store labor hours are devoted to the produce department. Respondents representing large firms report the lowest rate of 6.7 percent while mid-size firms have the highest labor rate at 7.6 percent. Small firms average 7.1 percent of store labor hours for the produce department.

Taken alone, this calculation lacks context and meaning. However, when compared to the produce department’s share of company sales, an alternative measure of produce department efficiency emerges. The same executives who completed this human resource section of the *FreshTrack 1998* study also provided benchmark data for their companies. On average, these executives report that 9.5 percent of company sales are derived from the produce department. Comparing this figure to produce labor hours as a percent of store labor hours at 7.0 percent, it appears that for these firms, the produce department is extremely efficient with respect to labor use. ●

FIGURE 2.9

Labor Productivity Measures for the Supermarket Produce Department



Recruiting

National Statistics

Unemployment Rates

Employee recruitment and retention are direct functions of regional employment conditions. Generally, the U.S. Midwest has the lowest unemployment rates in the country. In fact, several of the U.S. states with the lowest unemployment rates are located in the Midwest: Nebraska, North Dakota and South Dakota (Table 3.1). Of course, companies within these areas of low unemployment often find it particularly difficult to recruit and retain employees.



TABLE 3.1

States with the Lowest Unemployment Rates, December 1997

	Percent Unemployment December 1997
Nebraska	1.9
North Dakota	2.0
South Dakota	2.7
New Hampshire	2.9
Iowa	2.9
Utah	2.9
Minnesota	2.9
Colorado	3.0
Virginia	3.4
Delaware	3.4

Employee Benefits

Benefits are important non-wage perquisites which often affect a company's ability to recruit qualified employees. According to the Bureau of Labor Statistics' most recent *Employee Benefits Survey*, paid time-off, which includes paid holidays and paid vacations, was the most frequently provided benefit by both small and medium as well as large establishments (Table 3.2). In general more employees from medium and large firms were able to participate in benefit programs than those from small firms. Small firms were those private firms with fewer than 100 workers while medium and large firms encompass private firms with more than 100 workers. Also, according to the most recent survey from the Bureau of Labor Statistics, workers from small establishments represent just over one-half of all employees in the private, nonagricultural sector. Current participation in benefits has not changed substantially since the 1994 survey.

The Fresh Produce Industry: Grower/Shippers

Executives representing grower/shippers, wholesale firms and supermarket produce retailers were asked a series of questions regarding employee recruitment practices for their companies. Questions focused on several recruitment issues:

- the skills most sought after for management and non-management employees
- the range of employee benefits offered
- the most effective recruitment techniques industry executives have used in their respective companies, and finally,
- the difficulty these executives encounter in recruiting employees into their firms

TABLE 3.2

Percent of Full-Time U.S. Employees Participating in Selected Benefit Programs, by Firm Size

Employee benefit	Small ¹	Medium and Large ²
	<i>% of total employees</i>	
Paid holidays	80	89
Paid vacation	86	96
Sick leave	48	58
Family leave	2	2
Medical care	62	77
Dental care	27	57
All retirement	42	80
Job-related educational assistance	34	65
Non-job-related educational assistance	3	18

¹1996

²1995

Recruitment Preferences: Skilled vs. Unskilled

Industry executives often have two contrasting philosophies regarding hiring employees—hire skilled employees or hire unskilled employees and train them on the job. When grower/shippers were asked whether they prefer to hire unskilled labor and train them themselves or to spend more in hiring already trained and skilled labor, just over half of grower/shippers (57.9%) indicated that they prefer to hire trained and skilled labor and pay relatively more to do so (Figure 3.1). However, a large minority, 42.1 percent, prefer to hire unskilled labor and conduct the training internally.

FIGURE 3.1

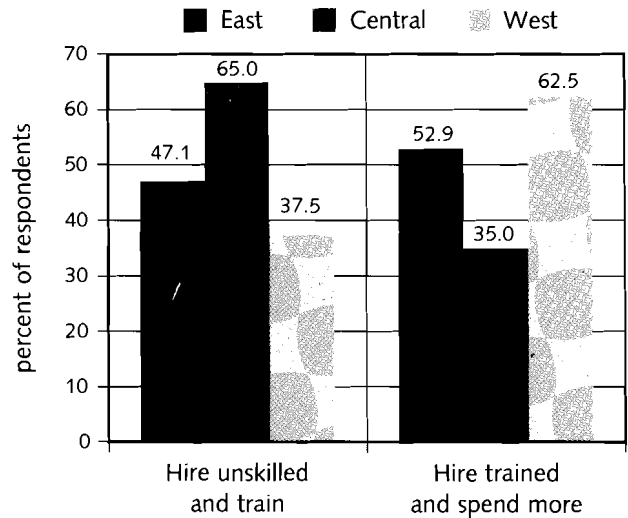
Hiring Skills Preference among Grower/Shippers: Skilled vs. Unskilled



In particular, more companies from the Central U.S. region (65.0%) actually prefer to hire unskilled laborers and train them themselves. This may be related to the low unemployment in this region (Figure 3.2).

FIGURE 3.2

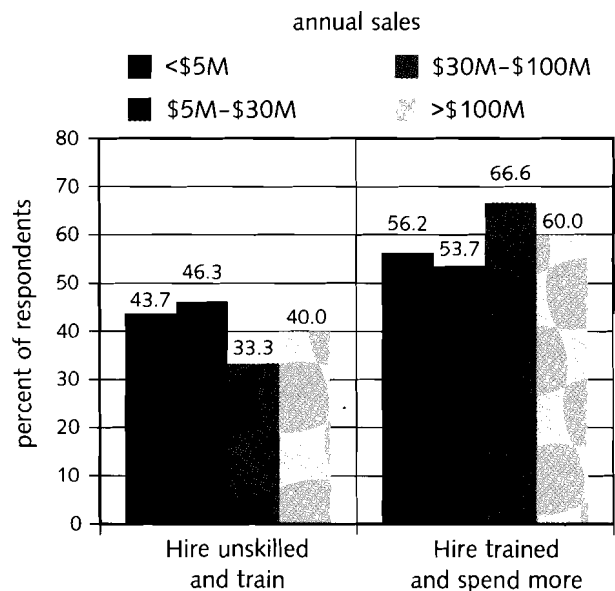
Hiring Skills Preference among Grower/Shippers: Skilled vs. Unskilled, by Region



The larger size companies, with annual sales over \$30 million, appear to have a greater preference for hiring labor already trained than smaller companies (Figure 3.3).

FIGURE 3.3

Hiring Skills Preference among Grower/Shippers: Skilled vs. Unskilled, by Firm Size



Management and Non-Management Skills Desired by Grower/Shippers

Out of a list of given skills, grower/shippers were asked which management and non-management skills were most important to them. Overwhelmingly and almost regardless of company size, companies rank “communication skills” as the most important skill their managers should possess (Table 3.3). Although the largest companies respond by placing “initiative/problem solving” as their most important manage-

ment skill, they acknowledge the importance of “communication” and rank it as the second most important skill. Companies in all other size categories also rank “initiative/problem solving” very highly but place it as the second most important skill for managers.

Employee attitude regarding “work ethic” is very important to grower/shippers. This was the third most desired skilled ranked by grower/shippers. It was also the third ranked skill for all but the largest companies who rated leadership as more important than work ethic.

TABLE 3.3

Grower/Shippers: Most Important Skills Desired for Managers, by Firm Size

Firm Size	percent of respondents indicating		
	1 st Ranked Skill	2 nd Ranked Skill	3 rd Ranked Skill
All firms	Communication skills (68.8%)	Initiative/problem solving (62.4%)	Work ethic (42.2%)
<\$5 Million	Communication skills (55.6%)	Initiative/problem solving (55.6%)	Work ethic, team player, and customer relations (38.9%)
\$5M – \$30M	Communication skills (72.2%)	Initiative/problem solving (68.5%)	Work ethic (48.2%)
\$30M – \$100M	Communication skills (74.1%)	Initiative/problem solving (51.9%)	Work ethic (40.7%)
>\$100 Million	Initiative/problem solving (70.0%)	Communication skills (60.0%)	Leadership (60.0%)

TABLE 3.4

Grower/Shippers: Most Important Skills Desired for Non-Managers, by Firm Size

Firm Size	percent of respondents indicating		
	1 st Ranked Skill	2 nd Ranked Skill	3 rd Ranked Skill
All firms	Work ethic (77.1%)	Ability to work with people (60.6%)	Initiative/problem solving (48.6%)
<\$5 Million	Work ethic (72.2%)	Ability to work with people (44.4%)	Initiative/problem solving and communication skills (38.9%)
\$5M – \$30M	Work ethic (83.3%)	Ability to work with people (61.1%)	Initiative/problem solving (51.9%)
\$30M – \$100M	Work ethic (66.7%)	Ability to work with people (63.0%)	Initiative/problem solving (48.2%)
>\$100 Million	Work ethic (80.0%)	Ability to work with people (80.0%)	Initiative/problem solving and communication skills (50.0%)

A parallel question was also asked with respect to non-management personnel. The skills most desired by companies for their non-managers were slightly different than for managers. On average, the most important skill for non-managers, for every size category of company, is “work ethic.” More than three-quarters, 77.1 percent, of all companies cite this as one of their three most important non-managerial skills. The second and third most common responses are “ability to work with people” and “initiative/problem solving” along with “communication skills” (Table 3.4).

Employee Benefits Provided by Grower/Shippers

Paid time off, paid vacations, holidays and sick leave, along with health insurance are the leading benefits offered to both managers and non-managers. However, in general, grower/shippers indicate that these

benefits are provided more frequently to managers in their companies than to their non-managers. Encouragingly, non-managers have some access to health insurance as more respondents offer health insurance to their non-managers than any other benefit. (Table 3.5).

Perhaps not surprisingly, smaller companies (less than \$5 million in annual sales) have the lowest incidence of providing benefits to their managerial employees (Figure 3.4). Much the same trend can be seen with benefits offered to non-managers (Figure 3.5). In fact, there is an even greater disparity between large and small firms when looking at benefits offered to non-managers. Specifically, the larger size grower/shippers tend to offer far more benefits than do smaller size grower/shippers, whereas the disparity is less stark with the manager level.

TABLE 3.5

Employee Benefits Offered by Grower/Shippers, Managers vs. Non-Managers

Benefits	Manager	Non-Manager
	<i>% of respondents</i>	
Common benefits:		
Unpaid vacation	11.2	29.0
Paid vacation	97.2	70.1
Paid holidays	85.1	66.4
Paid sick leave	71.0	46.7
Health insurance	94.4	76.6
Retirement	61.7	43.9
Other:		
Housing	4.7	12.2
Vehicle	53.3	7.5
Food	10.3	7.5
Education fees	40.2	19.6
Profit sharing	37.4	22.4
Bonus plan	66.4	35.5
Other benefits	8.4	7.5

FIGURE 3.4

Employee Benefits Offered by Grower/Shippers to Management, by Firm Size

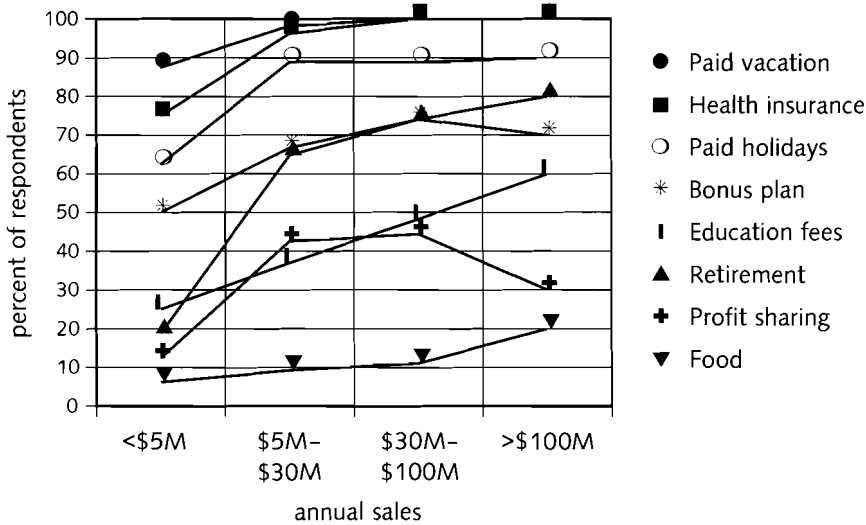
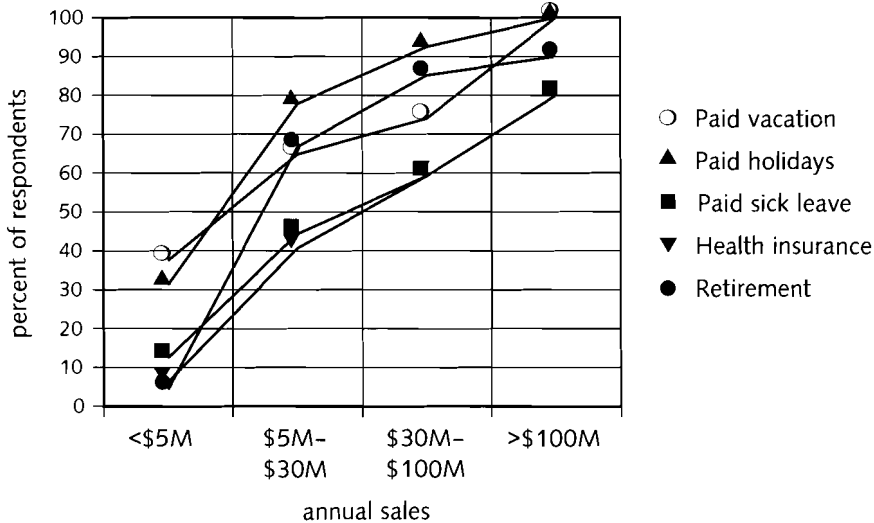


FIGURE 3.5

Employee Benefits Offered by Grower/Shippers to Non-Management, by Firm Size



Grower/Shipper Recruitment Techniques

When grower/shippers were asked to list their most successful recruitment techniques, several types of responses emerged. Respondents indicate that their most successful techniques are informal: word of

mouth, networking and referrals (Table 3.6). Also extremely popular are company atmosphere and work environment. Of course salary, benefits, and incentives are also popular recruitment techniques.

TABLE 3.6**Grower/Shippers' Most Successful Recruitment Techniques**

Recruitment Technique	Percent of Responses
Networking/word of mouth/referrals	27.6
Company atmosphere/environment	26.9
Salary/benefits/incentives	25.5
Ads	9.0
Stable job/type of job	6.9
Head hunters/employment agency	3.4
College career day/placement offices	0.7
Total	100.0

In particular, some companies responded with the following specific strategies when asked for their most successful recruitment techniques:

- “Use state employment commissions”
- “Develop a reputation in community”
- “Create and promote employee decision-making power”
- “Make apparent long-term opportunities”

Recruiting Difficulty Experienced by Grower/ Shippers

How important is the supply of potential employees? Grower/shipper respondents to the 1998 *FreshTrack* survey were asked whether the lack of qualified labor has kept them from expanding their produce businesses. On average, 25.2 percent of the grower/ shippers say “yes” (Table 3.7). This is a significant factor for companies with annual sales less than \$5 million and those with sales between \$5 and \$30 million. Larger companies apparently do not have the same difficulty as smaller grower/shippers. Only eleven percent of those with sales between \$30 and \$100 million report expansion problems due to lack of qualified labor while none of the companies with sales over \$100 million report such a problem.

“Networking” Not the Rule Much Longer?

Table 3.6 shows clearly that when attempting to recruit new employees to grower/shipper firms, whether for managers or non-managers, time-proven methods of word-of-mouth and networking still come first to most grower/shipper minds. But today, especially for larger and more progressive produce firms, new methods are, well, bearing fruit.

Like every other economic sector, the produce industry is becoming more complicated: consolidation is occurring at virtually all levels, technology is becoming much more complex, and once arcane skills, like handling corporate finance, risk instruments and media advertising schedules are now increasingly required. With such sophistication called for in human resource talent, more firms are finding the once reliable recruiting approaches no longer adequate.

Ward Fredericks is Chairman of Mixtec, an executive search firm specializing in the fresh produce

industry. Around 80 percent of Mixtec's business is working with grower/shipper organizations. Fredericks offers the following evolution of recruiting at the grower/shipper end of the produce industry. He maintains the industry has gone through three distinctive phases:

- **Phase 1:** not too long ago, and still today for many small firms, employee recruiting only required leaning over the neighbor's fence and spreading the word, often among your extended family members. Skill levels were fairly homogenous across different groups anyway, so being too selective was not a wise investment in time or money.
- **Phase 2:** firms began to recognize that just asking around was not likely to produce the type of managerial talent needed to allow their companies to thrive into the new era of sophisticated industry operations and strategic planning. Like other commodities, the labor marketplace was now national. Many firms began to take advertisements out for new management and technical specialists in industry sources,

such as *The Packer* or other trade newsletters where they could reach broader audiences. In so doing, they were often even able to tap a certain national pool of prospects.

- **Phase 3:** many produce companies realize that in the future competition for scarce human resources will be fought on a battlefield at least as fiercely as today's battles for products. Out of necessity, particularly in low unemployment times, more firms are employing sophisticated executive search techniques, often with the assistance of a third party executive search company. No individual produce executive has the capacity to keep apprised of new and available managerial talent on a national basis. But executive search firms serve, in a real sense, as the "ultimate network." As a result of their specialization and national/international networking and relationship capabilities, they permit the discovery of individuals, both inside and outside the produce industry, who may well have never been identified otherwise.

TABLE 3.7

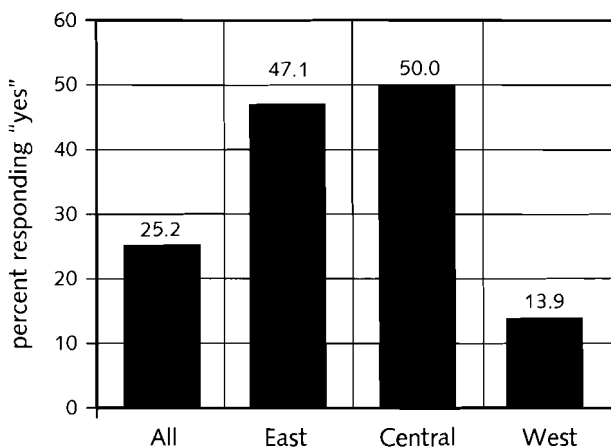
Has the Lack of Qualified Employees Kept You from Expanding?

Firm Size	Percent Answering "Yes"
All firms	25.2
< \$5M	31.3
\$5M – \$30M	35.2
\$30M – \$100M	11.1
> \$100M	0.0

The situation may also be exacerbated by regional difficulties in finding seasonal workers or in areas of low unemployment. When respondents were analyzed by regions, 47.1 percent of East Coast respondents and 50.0 percent of Central U.S. respondents indicate that a lack of employees has prevented them from expanding their companies (Figure 3.6). Only 13.9 percent of West Coast companies indicate this problem.

FIGURE 3.6

Grower/Shippers: Expansion Plans Affected by Lack of Qualified Employees, by Region



For all grower/shippers, recruiting managers seems a difficult process. When asked about the level of difficulty in finding managers for the company (where 1 = “extremely difficult” and 5 = “not at all difficult”), grower/shippers respond with an average of 2.4—well below the midpoint of 3, “difficult but able” (Figure 3.7). Yet, despite this difficulty in recruiting managers, recruiting non-managers appears to be a much less difficult task. *FreshTrack* respondents report a difficulty level of 3.4, certainly easier than recruiting managers.

To what extent does this pattern hold true across different size companies, or companies from different regions? When the data were categorized by company size and region, only slight differences were observed. In general, small and medium size businesses (sales

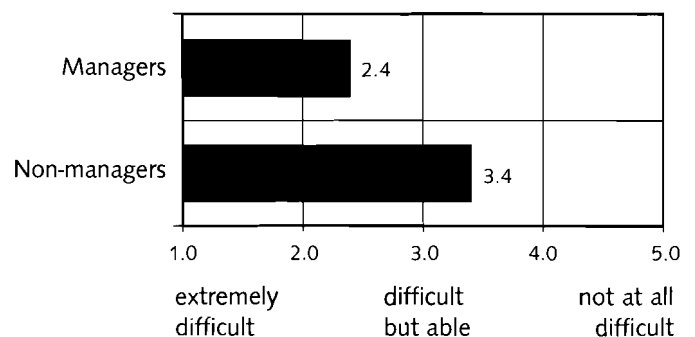
Finding Good Employees a Problem? Possible Remedies

Although a considerable number of grower/shippers reported that attracting qualified labor was a major problem, indeed, limiting expansion plans, several major grower/shippers shrug the problem off as only a minor irritant. The senior operating officer of one major shipper in California made it sound simple. He offered three possible remedies:

- For non-management employees, first recognize that Americans probably will not be willing to do the labor. So, instead, focus recruiting efforts on making conditions as attractive as possible for foreign nationals. This generally is as easy, the executive contends, as paying higher wages.
- Take steps to introduce new technology to substitute capital for labor. This means, for example, mechanizing field work and packing shed activities to the greatest extent possible.
- Work with trade associations and universities to develop new processes that reduce the need for labor and, at the same time, makes the employment conditions more appealing to workers.

FIGURE 3.7

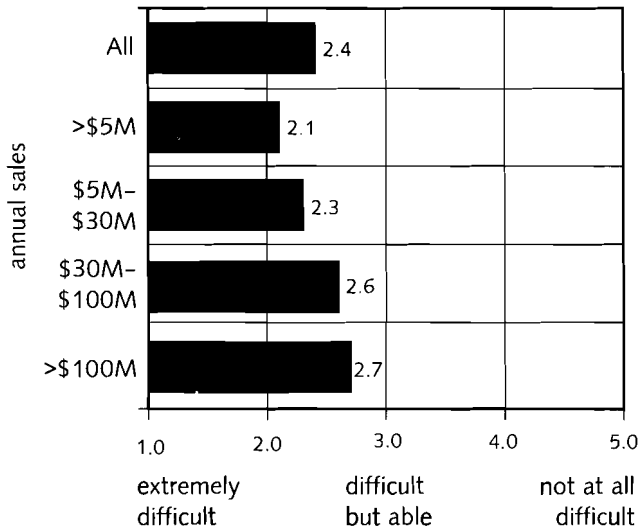
Grower/Shippers: Difficulty in Recruiting Employees, Managers vs. Non-Managers



under \$5 million and sales between \$5 and \$30 million) report more difficulty in finding both managers and non-managers than do their large firm counterparts (Figure 3.8).

FIGURE 3.8

Grower/Shippers: Difficulty of Recruiting Management Personnel, by Firm Size



By region, Central U.S. companies, encompassing the Midwest and Central Plains, experience greater difficulty in finding employees, both managers and non-managers.

Of course, the fact that the region is also experiencing some of the lowest unemployment in the U.S. undoubtedly contributes to the difficulty in recruiting. In addition, grower/shipper respondents in the Central region are slightly smaller than those in either the East or West regions.

CY Farms: Recruiting and Retaining Migrant Labor

Despite periodic episodes of controversy and public scrutiny since the early 1990s, migrant workers remain at once a relatively invisible population and a critical feature of the U.S. produce industry. Ironically, although the U.S. fresh produce industry has made dramatic strides in recent decades in its adoption of new technologies, certain segments of produce production, particularly participants in the fresh product, have resisted efforts at mechanization. As the marketplace increases its demands for cosmetically perfect, blemish-free fresh produce, easily bruised tree fruits (eg., apples, peaches and other soft fruits), and certain vegetables grown in soft soils (eg., onions and celery) continue to be picked by migrant laborers. Moreover, this is not only a phenomenon particular to the large produce farms in the South and West. Northeastern agriculture relies heavily on the assistance of migrant seasonal workers. Indeed, the numbers of migrant produce workers in New York State has not decreased in over 20 years.

Craig Yunker, owner and manager of CY Farms, is a first generation vegetable grower in Elba, New York, located in the fertile soils along the coast of Lake Ontario. By national standards, his farm size and volume are modest. In 1997, his annual sales were nearly \$3.5 million spread over about a half dozen commodities. His annual payroll is about \$500,000. Yet the growth and the profitability of Yunker's farm has outpaced the produce industry average consistently over the past decade, in part, it is widely believed by many who follow his management style, because of the successful way in which migrant labor has been incorporated into the fabric of his entire

farming operation. CY Farms depends to a considerable degree on the contributions of migrant labor for both year round employees and seasonal workers. About half of the total labor pool at CY Farms consists of migrant workers.

While no one would dispute the importance of a dedicated and motivated labor pool, most farm managers are challenged attempting to create such an asset. This is often particularly true with migrant labor. Craig Yunker attributes his success to a powerful but beautifully simple formula: "I treat people with respect and pay them a fair wage." However, it's the day-to-day execution of this philosophy that has conferred a competitive advantage to CY Farms when it comes to labor management. Below are a few illustrations of the reasons why, in a short labor market, CY Farms always has a waiting list of migrants wanting to start work:

- Yunker uses every opportunity to encourage his laborers to take responsibility for their work. He frequently allows migrants to operate expensive machinery, tractors and trucks, practices often regarded as risky by other farm managers. He explains that such demonstrations of faith in someone's ability prompts them to respond naturally to take more ownership in the overall operation.
- CY Farms pays more. Not an enormous amount more but Yunker has learned that the news of even a small increment above the standard rate spreads quickly. He always pays higher than minimum wage, often the industry standard for starting workers elsewhere. In a market where his competitors pay perhaps \$6.50 to \$7.00 per hour for an equipment operator, Yunker will pay \$8.

- For more than a decade, nearly all the migrant labor Yunker employs come from the same village has come in Mexico. Several times in the past few years, Yunker has paid visits to the workers in the village during the winter. Once, Yunker and his family stayed with one of the migrant families for several days. He believes that such demonstrations of concern and mutual respect between labor and management go a long way in recruiting and toward establishing the kind of work environment that produces outstanding results.
- Yunker has learned the value of the right incentives. Several years ago, when his tomatoes were grading at 92% at the plant, a bit above the regional average of around 90%, a young woman on the field crew asked why they weren't grading at 100%. Yunker explained that this was not possible since there always will be at least a few color problems or bruises no matter how careful the field picking and initial grading. Since she seemed determined, Yunker challenged her: if the crew could produce a 100% grade, he would buy them a pizza. That afternoon, the vice-president of the plant called to say that they had just graded Yunker's last load at 100%, a grade never before achieved. Craig ordered the pizzas and drinks, drove out to the field, shut down the machinery, held the pizza party and agreed to do so each time a 100% grade was achieved. Over the next few days, four more 100% grades were achieved and the season average was 96.5%, the highest ever recorded.

Some have criticized this practice for all the down time in the field with pizza parties but Yunker smiles as he points to the substantial improvement in overall

ROI attained as a result of higher field productivity over the entire season. Furthermore, the young woman who offered the first challenge now runs the whole packing line, takes all orders and supervises 8-10 people.

- A few years ago, one of the workers was taking up a collection for a \$3,000 neck operation his father needed in Mexico. He approached Yunker, who responded by loaning him the entire amount, no interest or binding paper work involved. The worker's family paid back the entire amount in a matter of months but moreover, Yunker believes that such gestures buy him goodwill among his labor pool otherwise unattainable at any price.
- Upward mobility is important in any job but often unavailable for most migrant labor. Yunker demonstrates his commitment to this concept each year by promoting whichever individuals genuinely prove their productivity. This may be an increase in hourly wage or the opportunity to join the year-round permanent labor force.

The Fresh Produce Industry: Wholesalers

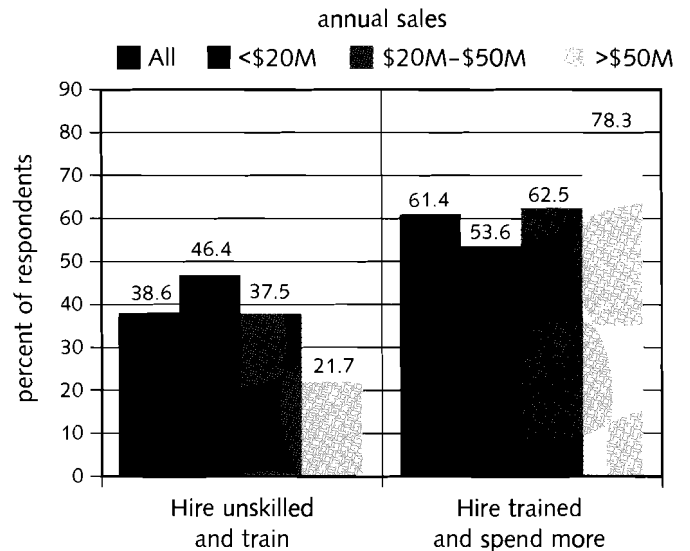
Recruitment Preferences: Skilled vs. Unskilled

To gain access to a larger pool of potential employees, companies sometimes choose to hire those without the requisite technical skills and train the employees themselves. When wholesalers were asked which method they prefer, "to hire already trained workers

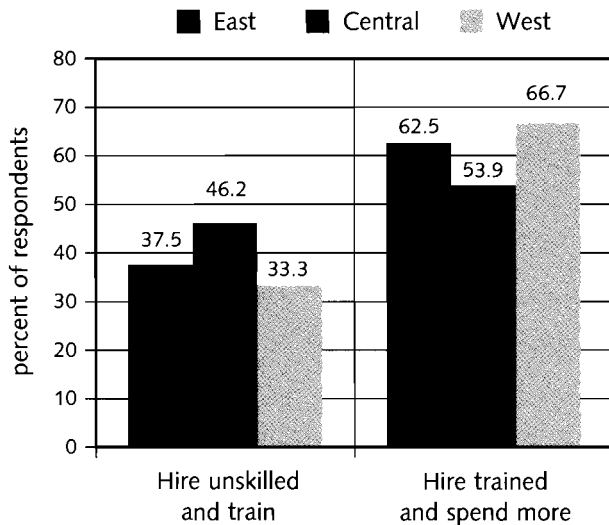
but pay more for them" or "to hire unskilled workers and train them themselves," wholesale executives responded with a preference toward hiring those already trained (Figure 3.9). Moreover, it is especially the larger wholesalers who report a strong preference for hiring already trained employees.

FIGURE 3.9

Hiring Skills Preference among Wholesalers: Skilled vs. Unskilled, by Firm Size



Reflecting similar attitudes among grower/shippers, there is also a tendency among Central U.S. wholesalers to prefer hiring unskilled workers and training them themselves. Although East Coast and West Coast wholesalers respond 37.5 percent and 33.3 percent only in favor of training unskilled workers, 46.2 percent of Central wholesalers indicate they would prefer to hire unskilled workers and train them themselves (Figure 3.10).

FIGURE 3.10**Hiring Skills Preference among Wholesalers:
Skilled vs. Unskilled, by Region****Management and Non-Management Skills
Desired by Wholesalers**

Wholesalers were asked to select the three most important management and non-management skills for which they recruit. For managers, wholesalers rank “communication skills” as most important with 55.2 percent of respondents choosing this as one of the three most important selection criteria (Table 3.8). “Initiative/problem solving” was selected by 45.8 percent as being one of the three most important managerial skills, while 40.6 percent included “work ethic” as being important.

The three most important skills for non-managers, according to produce wholesale executives, are identical, with only a slight variation in priorities. “Work ethic” was selected by 67.7 percent of respondents as being one of the three most important non-managerial skills, making it the overwhelming single response selected by most wholesalers (Table 3.8). “Communication skills” and “initiative/problem solving” are very important skills, not only for managers but also for non-managers, as these two skills were selected by 58.3 percent and 51.0 percent of wholesalers respectively.

Employee Benefits Provided by Wholesalers

The *FreshTrack* 1998 survey asked wholesalers to indicate which benefits they provide to their employees, managers and non-managers. Their responses show that, in general, respondents provide benefits more frequently to managers than to non-managers. In addition, respondents provide managers with a wider array of benefits than non-managers. This array includes benefits other than those commonly seen across industries such as housing, vehicle, education fees, profit sharing, or bonus plans (Table 3.9).

It is believed by many wholesalers that these “other” benefits help their recruitment efforts and differentiate them from the competition. As seen later under “Recruiting Difficulty Experienced by Wholesalers,” wholesalers feel they are having more difficulty recruiting managers than they are recruiting non-managers. By expanding their menu of benefits offered to management, they appear to be addressing this issue.

TABLE 3.8**Wholesalers: Most Important Skills Desired, Managers vs. Non-Managers**

Skill	Managers	Non-Managers
	<i>percent of respondents</i>	
Communication skills	55.2	58.3
Initiative/problem solving	45.8	51.0
Work ethic	40.6	67.7

TABLE 3.9**Employee Benefits Offered by Wholesalers, Managers vs. Non-Managers**

Benefits	Managers	Non-Managers
	<i>percent of respondents</i>	
Common benefits:		
Unpaid vacation	14.3	15.6
Paid vacation	94.5	86.5
Paid holidays	85.7	81.1
Paid sick leave	82.4	75.6
Health insurance	92.3	84.4
Retirement	72.5	68.9
Other benefits:		
Housing	57.1	47.3
Vehicle	45.6	8.9
Education fees	35.2	12.2
Profit sharing	47.3	40.0
Bonus plan	68.1	42.2
Other	3.3	4.4

Many respondents with annual sales less than \$20 million either are unable or unwilling to provide the benefits provided by larger wholesalers (annual sales greater than \$20 million). A greater proportion of the larger wholesalers report providing almost every benefit listed on the survey (Figures 3.11 and 3.12). In other words, for every benefit for managers and for nine out of ten benefits for non-managers, small wholesalers under-perform medium and large wholesalers.

The proportion of wholesalers providing benefits and the benefits they provide varies slightly in different regions of the country. More wholesalers in the West appear to offer benefits to employees than do those in the Central or East regions. For eight out of ten benefits, wholesalers in the West region are the leading providers (Figures 3.13 and 3.14, on page 28).

Wholesaler Recruitment Techniques

Wholesalers were asked to identify their most successful recruitment techniques. The leading responses from wholesalers focus on relatively informal techniques, as 33.9 percent of the responses include recruiting via “networking, word of mouth or referrals” (Table 3.10). Responses concerning positive company atmosphere and work environment were placed in one category and represent 22.3 percent of total responses. Also commonly used by wholesalers are ads in newspapers, trade press and signage, (15.7%) and salaries and benefits (14.9%). Other techniques, such as university recruiting were rarely mentioned.

FIGURE 3.11

Managers' Benefits Offered by Wholesalers, by Firm Size

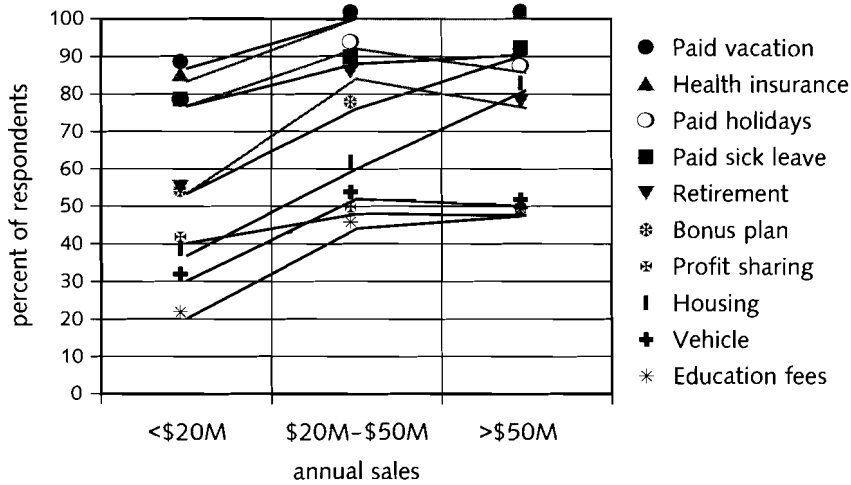


FIGURE 3.12

Non-Managers' Benefits Offered by Wholesalers, by Firm Size

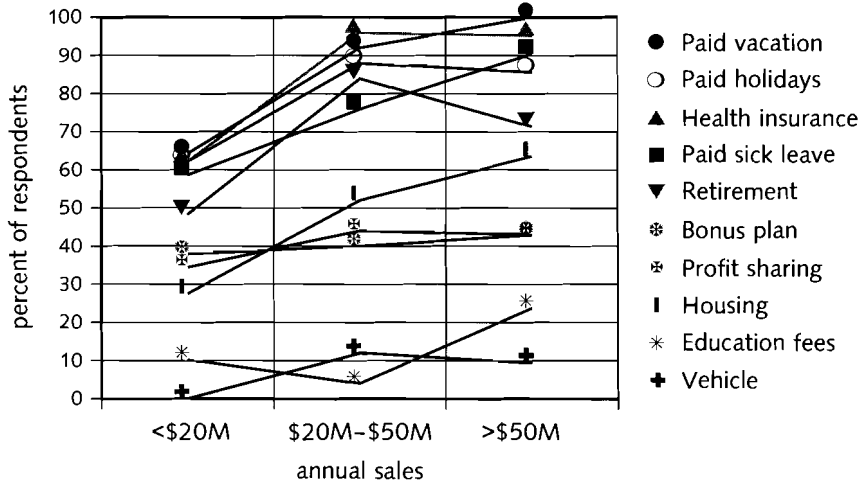


FIGURE 3.13

Managers' Benefits Offered by Wholesalers, by Region

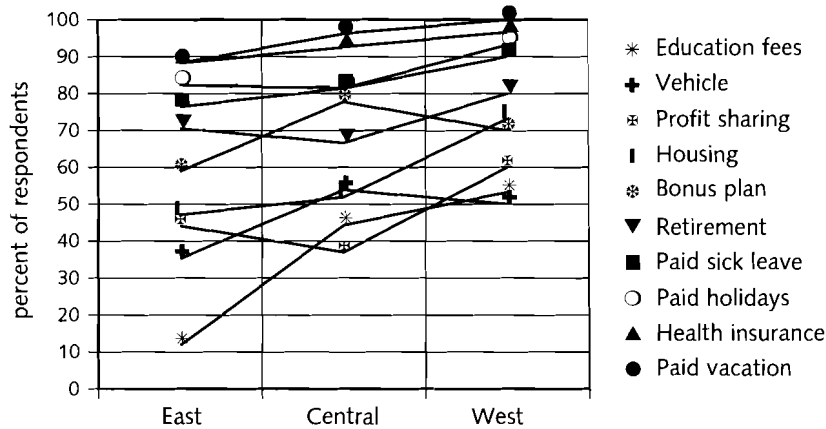
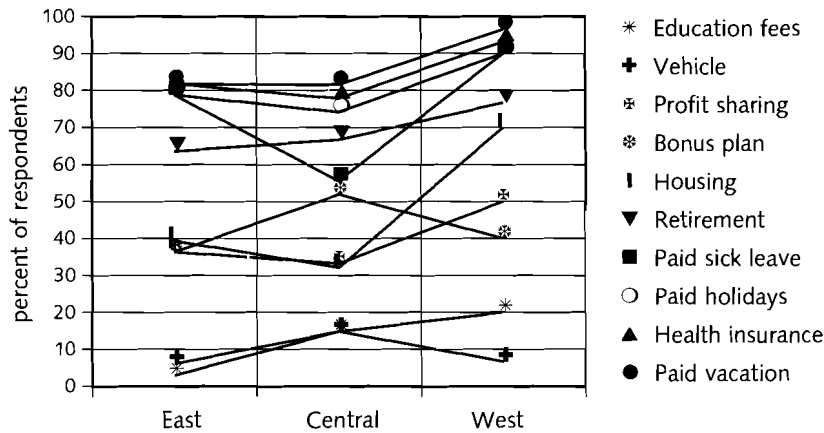


FIGURE 3.14

Non-Managers' Benefits Offered by Wholesalers, by Region



University Recruiting Works for Wholesaler

Although university recruiting methods is not among the conventional recruiting for produce wholesalers, at least one produce wholesaler-distributor, the Grant J. Hunt Company, reports having had considerable success at university recruiting, particularly at the ag college campuses. When we expressed mild surprise at the fact that apparently the technical agricultural background of the ag students lent itself to more effective fruit and vegetable selling, Grant Hunt, President, replied:

"Actually, no, the technical ag skills have nothing to do with our ag college recruiting strategy. It's the great work ethic that the students at the ag colleges appear to have. We find that graduates of ag programs enter the marketplace with an appreciation of the demands which our industry places on new entrants. And they understand hard work."

"We are presently recruiting on several ag campuses. Interestingly, one of the principal questions that the college students always have of the wholesale business (besides money, of course) is what sort of career path they can expect."

TABLE 3.10**Wholesalers' Most Successful Recruitment Techniques**

Recruitment Technique	Percent of Responses
Networking/word of mouth/referrals	33.9
Company atmosphere/environment	22.3
Ads	15.7
Salary/benefits/incentives	14.9
College career day/placement offices	4.1
Head hunters/employment agency	3.3
Stable job	3.3
From competition	2.5
Total	100.0

Several wholesalers offer specific additional techniques that they have found useful:

- “Personally recruit candidates”
- “Offer state of the art facility”
- “Provide “finder’s fee” to current employees”
- “Capitalize on reputation in industry”
- “Stress a family environment”

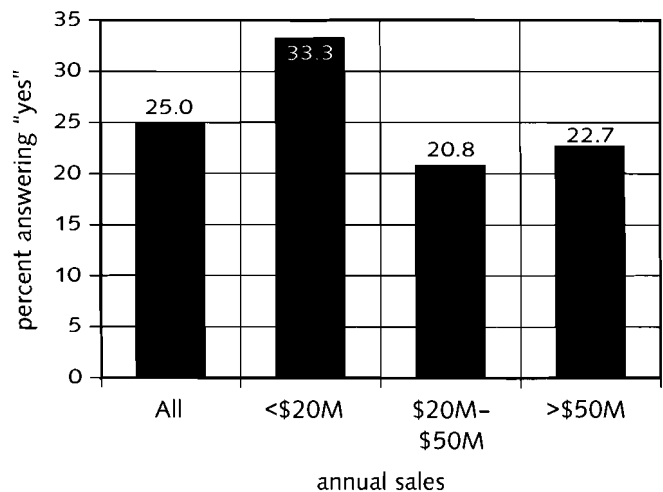
Recruiting Difficulty Experienced by Wholesalers

Produce wholesalers were asked whether their expansion plans had been hindered by lack of qualified employees. Twenty-five percent of wholesalers respond “yes” (Figure 3.15). Smaller companies appear to be experiencing more problems with expansion.

Wholesalers often express having difficulty recruiting employees. When asked about the level of difficulty in finding potential managers (where 1 = “extremely difficult” and 5 = “not at all difficult”) wholesalers respond with an average of 2.1, well below the midpoint of 3, “difficult but able,” thus indicating considerable difficulty in locating suitable manager candidates. Non-managers appear to be easier to recruit. Wholesalers respond that, on the

FIGURE 3.15

Wholesalers: Expansion Plans Affected by Lack of Qualified Employees, by Firm Size

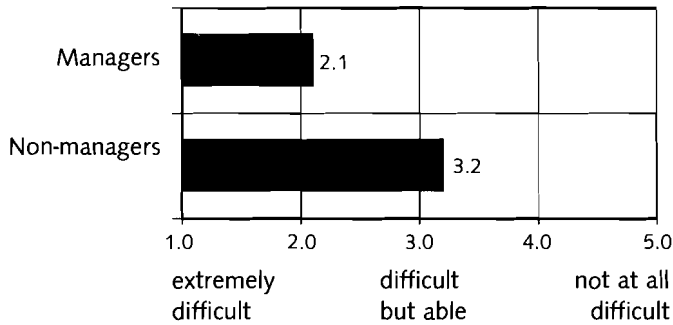


same scale of 1 to 5, finding non-managers was a 3.2, slightly easier than “difficult but able” (Figure 3.16).

Wholesaler responses regarding the difficulty of finding managers and non-managers were very similar across all company sizes and regions of the country.

FIGURE 3.16

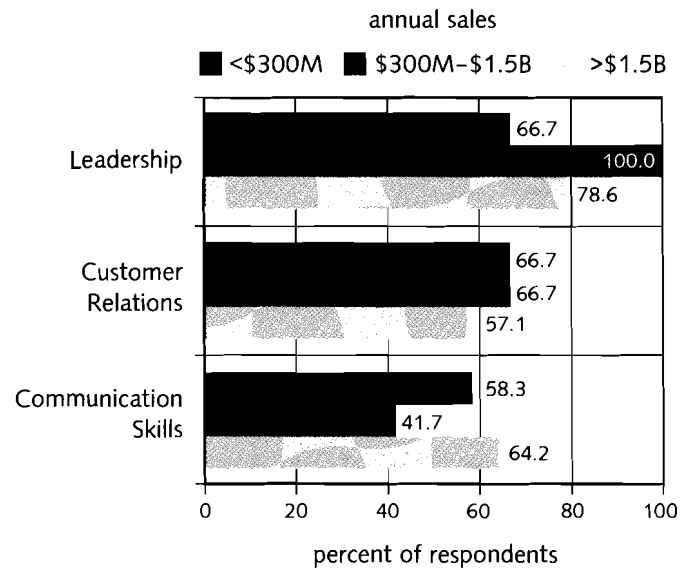
Wholesalers: Difficulty in Recruiting Employees, Managers vs. Non-Managers



(annual sales <\$300M) respond similarly to their larger firm counterparts rating “leadership” and “customer relations” as most important (66.7%) followed by “communication skills” (58.3%) (Figure 3.17).

FIGURE 3.17

Supermarket Retailers: Most Important Skills Desired for Managers, by Firm Size



The Fresh Produce Industry: Supermarket Retailers

Management and Non-management Skills Desired by Supermarket Retailers

Retailers were asked to indicate from a list of nine management skills which, in their opinion, were the three most important skills for both management and non-management employees.

Overwhelmingly, when considering important management skills, the highest percentage of firms (81.6%) report that “leadership” is the most important skill for managers followed by “customer relations” (63.1% of firms) and “communications” (55.3% of firms).

When analyzed according to firm size, executives from large retail firms (annual sales >\$1.5B) report that “leadership” is the most important management skill (76.6%) followed by “communication skills” (64.2) and “customer relations” (57.1%). One hundred percent of survey respondents representing mid-size firms indicate “leadership” as the most important management skill. Ranked second by these executives from mid-size retail companies is “customer relations” (66.7%) with “communication skills” and “initiative/problem solving skills” tying for third place (41.7%). Executives representing small retail firms

Beyond the three most popular management skills identified by retail respondents, several skills were rated relatively low priority by virtue of the low percentage of firms indicating their importance. For example, after the three leading skills (reported above), the largest companies rate “initiative/problem solving” the next highest while fewer mid- and smaller-size firms consider this an important skill. Interestingly, “past produce experience” is not considered an important requisite and perhaps surprisingly, regardless of firm size, survey respondents do not consider “post high school education” an important management skill (Figure 3.18).

Parallel questions focusing on the importance of a variety of management skills were asked specifically for non-management employees. Overall, “customer service” is rated important by 81.6 percent of firms

FIGURE 3.18

Less Important Skills for Supermarket Retail Managers, by Firm Size

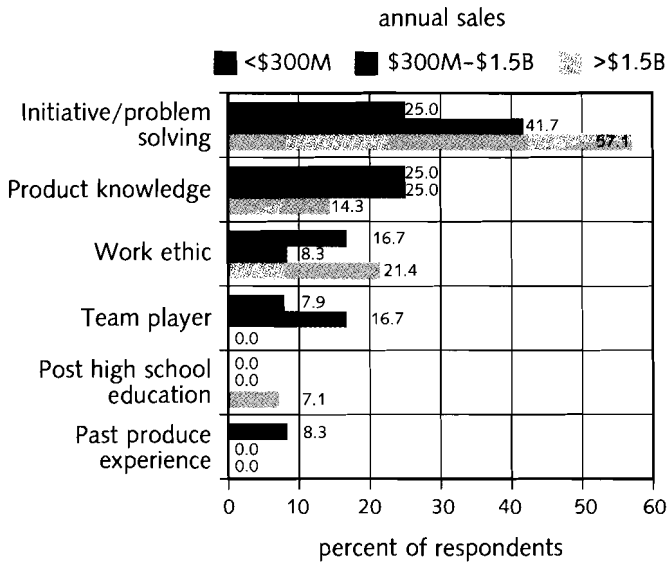
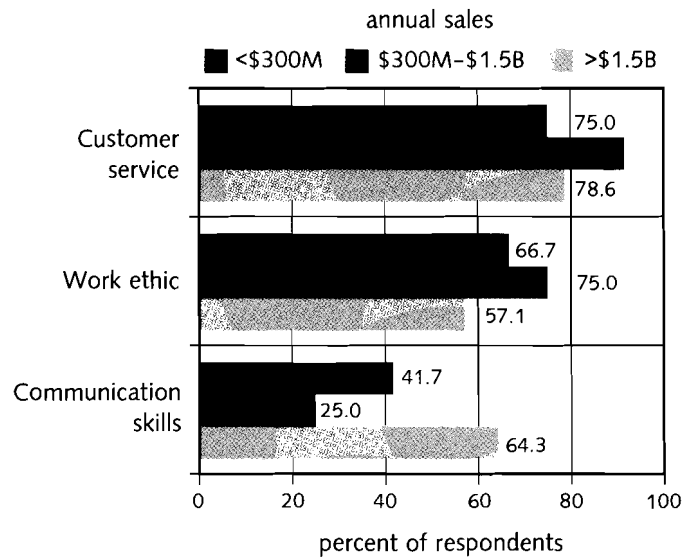


FIGURE 3.19

Supermarket Retailers: Most Important Skills Desired for Non-Managers, by Firm Size



while 65.8 percent of firms indicate “work ethic” and 44.7 percent of firms say “communication skills” are important skills for non-managers.

When analyzed by firm size, the greatest difference of opinion occurs regarding communication skills. Although almost two-thirds of large firms believe this is an important skill for non-managers, only 25 percent of mid-size companies agree with this priority (Figure 3.19).

It is interesting to note the difference in importance between managers and non-managers when considering “work ethic.” Retailers list this skill as one of the top three most important skills for non-managers while these same respondents do not believe it is one of the most important management skills for managers. Perhaps “work ethic” is simply assumed to be generally present at management levels.

In general, among the non-management skills with the fewest responses from retail companies are “past work experience,” “high school education” and “second language skills.” Executives representing various firm sizes disagree regarding the importance

of “initiative/problem solving.” While 58 percent of mid-size firms indicate this is an important non-management skill, only 16.7 percent of executives from smaller firms agree (Figure 3.20).

Employee Benefits Provided by Supermarket Retailers

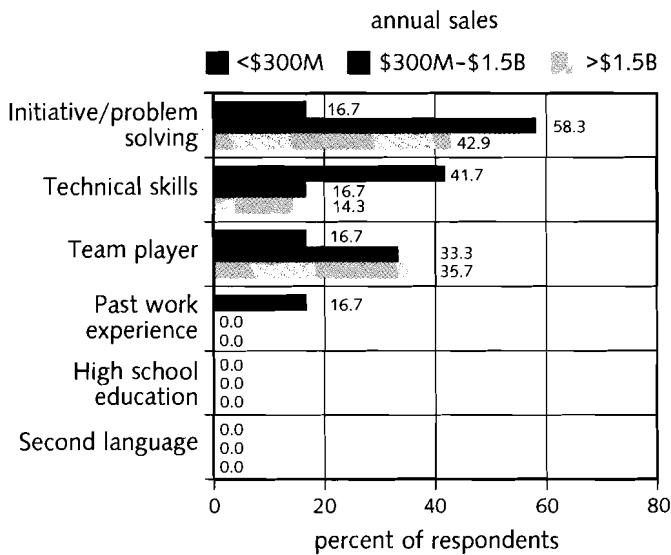
Often a critical enticement for potential job applicants is company benefits. Retail produce executives were asked to indicate, from a broad list of benefits, which benefits their company currently offers to managers and non-managers. Universally, two observations can be made. First, in general, large companies offer the greatest selection of benefits (Table 3.11). Second, management level employees are offered a broader menu of employee benefits than non-management.

Management personnel from small companies are offered vehicles, profit sharing, bonus plans and family leave more often than the other firm sizes. However, only 73 percent of small companies provide retirement benefits compared to 92 percent for mid-size companies and 100 percent for large companies



FIGURE 3.20

Less Important Skills for Retail Non-Managers, by Firm Size



(Table 3.11). Although 100 percent of large companies indicate offering paid sick leave, this benefit is far less common with smaller companies. Only 73 percent of small companies and only 58 percent of mid-size companies offer paid sick leave (Table 3.11).

Non-management personnel receive the greatest selection of benefits from large companies (sales > \$1.5B). In fact, 100 percent of large companies offer their non-management employees paid vacation, health insurance, paid holidays and retirement benefits. Of the four major benefits (paid vacation, health insurance, paid holidays and retirement) a similar percentage of small and mid-size companies make these benefits available to their non-management personnel.

Retailer Recruitment Techniques

A variety of recruitment techniques and strategies are employed by supermarket retailers. When asked about specific recruitment strategies used by their

TABLE 3.11

Employee Benefits Offered by Supermarket Retailers, Managers vs. Non-Managers, by Firm Size

	Sales <\$300M		Sales \$300M-\$1.5B		Sales >\$1.5B	
	Managers	Non-Managers	Managers	Non-Managers	Managers	Non-Managers
Paid vacation	100.0	81.8	100.0	91.7	100.0	100.0
Health insurance	100.0	81.8	100.0	100.0	100.0	100.0
Disability	90.9	81.8	91.7	50.0	100.0	92.9
Bonus plan	100.0	18.2	91.7	16.7	92.9	14.3
Family leave	90.0	72.7	83.3	66.7	85.7	78.6
Paid holidays	81.8	81.8	91.7	83.3	92.9	100.0
Retirement	72.7	72.7	91.7	66.7	100.0	100.0
Education fees	72.7	45.6	75.0	50.0	71.4	64.3
Paid sick leave	72.7	72.7	58.3	50.0	100.0	92.9
Profit sharing	72.7	36.7	58.3	41.7	57.1	35.7
Vehicle	27.2	0.0	16.7	0.0	14.3	0.0
Unpaid vacation	18.2	36.4	16.7	33.3	21.4	28.6

firms, retail executives report utilizing a variety of techniques, however, the time-honored methods of “word of mouth, classified advertising and in-store posting” are the most often cited. Several executives also mentioned that they participate in job fairs. Several produce executives also mentioned the work environment and company reputation as being among the most successful recruitment enticements. Specifically, their responses include emphases of:

- opportunities for advancement
- wage and benefit packages
- employee/management relations
- team oriented operations
- bonuses

Additionally, several firms also report turning to professional recruitment companies and public relations firms for assistance with image and recruitment.

Although retailers do not indicate post high school education as a priority when identifying important management skills, both mid-size and large firms report recruiting from community colleges, technical schools and universities. Tied to this notion of recruiting from higher education institutions, many retail company executives report partnering with colleges and universities in providing scholarships and internship programs for students with the hope of attracting them after graduation. Another indication that recruitment from higher education is growing in importance for retailers is the willingness of a growing number of retailers to offer tuition assistance programs.

Referral by associates and customers is also commonly mentioned as an effective recruiting tool. However, this traditional networking approach is beginning to take on a new twist. Several produce executives indicate they now offer “finder’s fees” of \$50 to employees and customers who recruit new employees into their firms. Other recent and innovative recruitment techniques are electronic telephone applications and providing recruitment information at neighborhood theaters.

Ideas for Effective Recruiting

The following seven ideas for effective recruiting were generated at the 1998 Annual Produce Conference in a workshop session moderated by Harold Lloyd that focused on “developing your workforce.”

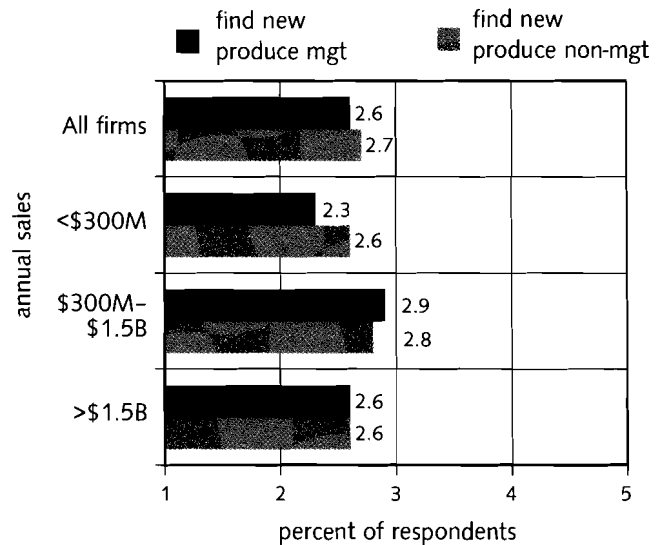
- Develop a referral program where existing employees receive financial incentives for having referred an applicant who is hired and remains at the company for a specified time period.
- Promote from within. Develop a program which targets employees for advancement and then provides regular training so that employees’ skills are always being improved. Be sure to include management and interpersonal skills as well as product knowledge.
- Have company meetings in school/community meeting rooms. This allows your community to view your company as an organization which provides employment as well as groceries.
- Post open jobs in-house first so that your employees feel that your company offers them opportunities beyond their current position. Make sure that employees are not discouraged or punished for seeking positions in other departments.
- Have a Career Day off-site. Work with local high schools, colleges and trade schools. Libraries and community centers may be able to provide a location as well as publicity and promotion.
- To make sure that you’re hiring the right person for the job, consider using personality tests to build a well-balanced team. Interview a candi-

date more than once, holding the interviews in different environments. Have potential co-workers or other personnel from another department interview the candidate.

- Use all opportunities to network – conferences, workshops and meetings. Use headhunters, interns and career days to obtain new recruits. Communicate your job openings to community leaders, especially those who work with teenagers, such as teachers, clergy, community and recreation program directors. Shop your competitors and give your business card to their outstanding employees. Send a job listing fax to your competitors.

FIGURE 3.21

Supermarket Retailers: Difficulty in Recruiting Employees, Managers vs. Non-Managers



Recruiting Difficulty Encountered by Supermarket Retailers

First, produce executives were asked to indicate the extent to which they experience difficulty in recruiting both management and non-management employees. Specifically, survey respondents were asked to rate this difficulty on a scale of 1 to 5 (1 = extremely difficult and 5 = not at all difficult). In every case, regardless of firm size or employee rank, produce executives report having considerable difficulty recruiting employees. When averaged together for all firms, a rating of 2.6 emerges for management and 2.7 for non-management regarding the difficulty in recruiting (Figure 3.21). Apparently, retail recruiting is quite difficult for all types of employees! ●

Training

National Statistics

The Bureau of Labor Statistics reports on employer provided training in the U.S. economy and the correlation between training, company size and industry sector in its annual Employer Provided Training Surveys.

Sixty-nine percent of small establishments – companies with fewer than 50 employees – provided formal training for their employees in 1993 (Horrigan, 1995). This was less than for both medium and large establishments, nearly *all* of which provided formal training in 1993.

Establishments with unions in the U.S. economy were more likely to provide certain training activities than those without unions. Apprentice training was more prevalent in union shops, however, formal job skills training was unaffected by the presence of unions.

Formal job skills training was provided by almost half of all establishments in 1993. The most commonly taught job skills were sales and customer relations, management skills, and computer skills.



Orientation, safety and health, and workplace-related training were provided by approximately one-third of all establishments.

In 1995, a survey of employers conducted by the Bureau of Labor Statistics reported on a number of different aspects of training for the year 1994 (BLS, 1997). When examining selected training expenditures per employee, BLS reported that nearly all categories of expenditures increased with a corresponding increase in company size (Table 4.1).

TABLE 4.1

Selected Expenditures by Size of Establishment in 1994.

Selected Expenditures	Total 50 or More Employees	50-99 Employees	100-499 Employees	500 or More Employees
	<i>dollars per employee</i>			
Tuition reimbursements	51	30	41	76
Wages and salaries of in-house trainers	139	52	104	236
Payments to outside trainers	98	63	86	135
Contributions to outside training funds	12	12	9	15
Subsidies for training received from outside sources	5	2	8	4

Source: Bureau of Labor Statistics, 1995 Survey of Employer-Provided Training - Employer Results, 1997

These training expenditures also vary by industry sector. In general, the wholesale trade reported spending more for training than the retail trade (Table 4.2).

Perhaps not surprisingly, two additional features of training expenditures come to light when overall expenditures are examined by employee turnover rate

and worker status. Establishments with lower employee turnover rates spend more on training per employee than those with higher turnover rates (Table 4.3). In addition, those establishments with a high portion of part-time labor (10% or more) spent the least amount of money on training for their employees (Table 4.3).

TABLE 4.2

Selected Training Expenditures, by Sector

Selected Expenditures	Total 50 or More Employees	Wholesale Trade	Retail Trade
	<i>dollars per employee</i>		
Tuition reimbursements	51	56	22
Wages and salaries of in-house trainers	139	108	31
Payments to outside trainers	98	108	21
Contributions to outside training funds	12	18	5
Subsidies for training received from outside sources	5	1	0

Source: Bureau of Labor Statistics, 1995 Survey of Employer-Provided Training - Employer Results, 1997

TABLE 4.3

Selected Training Expenditures Per Employee, by Rate of Employee Turnover and Part-Time Employment

Employee Turnover	Tuition Reimbursements	Wages and Salaries of In-house Trainers	Payments to Outside Trainers	Total
		<i>dollars per employee</i>		
All establishments (50+employees)	50.6	138.5	97.7	286.8
Low turnover	68.9	198.2	140.2	407.3
Medium turnover	61.1	176.0	117.3	354.4
High turnover	26.2	52.9	50.8	139.9
Part-time employment:				
None	46.8	147.4	106.3	300.5
Some but less than 10%	73.7	179.9	145.0	398.6
10% or more	34.5	100.8	55.8	191.1

Source: Bureau of Labor Statistics, 1995 Survey of Employer-Provided Training – Employer Results, 1997

The Fresh Produce Industry: Grower/Shippers

Grower/Shippers, wholesalers, and supermarket retailers were asked to answer several questions regarding training programs in their respective companies. Specifically, they were asked to comment, for both management and non-management personnel, on the following training issues: types of training offered, types of training methods used and finally, the difficulty they encounter in achieving selected management skills.

Types of Training Offered

Grower/shippers were asked the extent to which they provide training in the following skills categories:

- technical skills
- computer skills
- leadership skills
- management skills

The majority of companies indicate they provide training for both managers and non-managers. But the nature of the training differs considerably by managerial level. Technical skills training is provided by 67.0 percent of all companies for their managers and by 78.9 percent for their non-managers (Figure 4.1).

Computer skills training is directed primarily at the managerial level. Seventy-three percent of companies train managers in computer skills while only 39.5 percent train their non-managers in this regard. As can be observed in later sections, this is the lowest level of computer training provided among the three major produce industries: grower/shipper, wholesaler, and retailer. Of course, this may be explained by the fact that the majority of grower/shipper non-managers simply do not require computer skills in their job responsibilities.

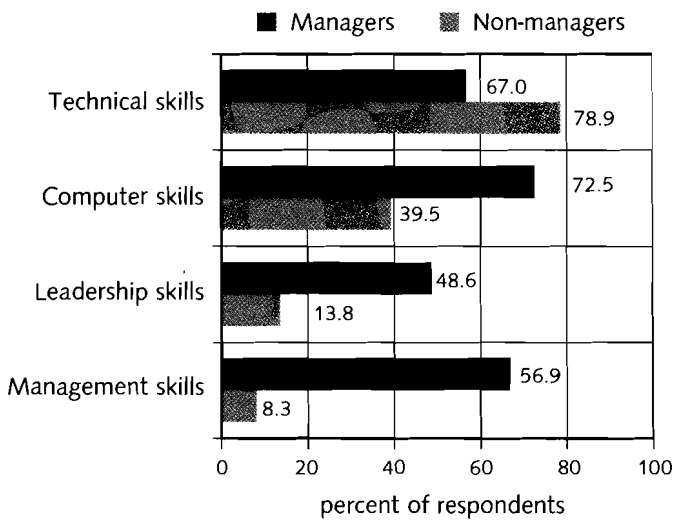
Leadership and management skills are also directed primarily to managerial employees. Leadership training for managers is provided by 48.6 percent of



respondents and management training is provided by 56.9 percent. This is opposed to only 13.8 percent of companies providing leadership training to non-managers and 8.3 percent providing management skills to non-management.

FIGURE 4.1

Skills Training Offered by Grower/Shippers, Managers vs. Non-Managers



The proportion of grower/shippers providing skills training to managers is extremely similar across all firm sizes with the exception of the very largest firms (sales over \$100 million). More of these companies provide training in computer skills, leadership, and management skills than do smaller companies. Perhaps greater resources and larger staffs in the largest companies provide the stimuli and incentives for additional training in management and leadership skills (Figure 4.2).

FIGURE 4.2

Skills Training Offered to Management Employees by Grower/Shippers, by Firm Size

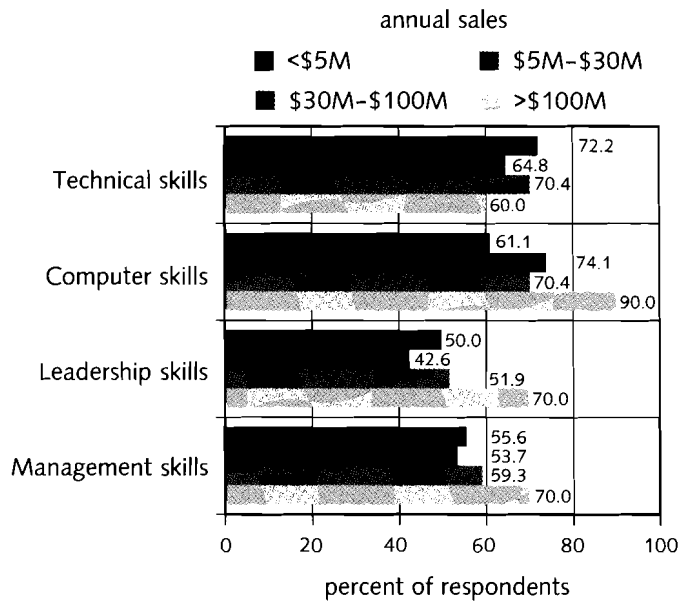
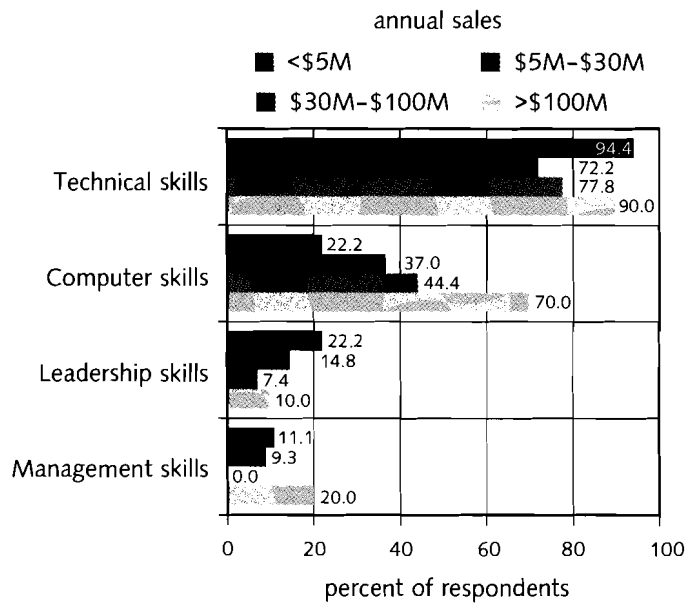


FIGURE 4.3

Skills Training Offered to Non-Management Employees by Grower/Shippers, by Firm Size



Training offered to non-managers is not much affected by company size with one exception: computer skills training. While 70.0 percent of the largest firms indicate they provide computer skills training to non-managers, only 22.2 percent of the smallest firms provide similar training (Figure 4.3).

Types of Training Methods Utilized

Many different types of training methods are available today in corporate America. The training method used by more grower/shippers than any other is on-the-job training (OJT). On-the-job training is used by 86.2 percent of respondents to train managers and by even more, 92.7 percent, to train non-managers (Figure 4.4)

In-house seminars are also used by grower/shippers to provide training to both managers and non-managers. Forty-five percent of respondents report using in-house seminars to train managers, while 55.1 percent use them to train non-managers.

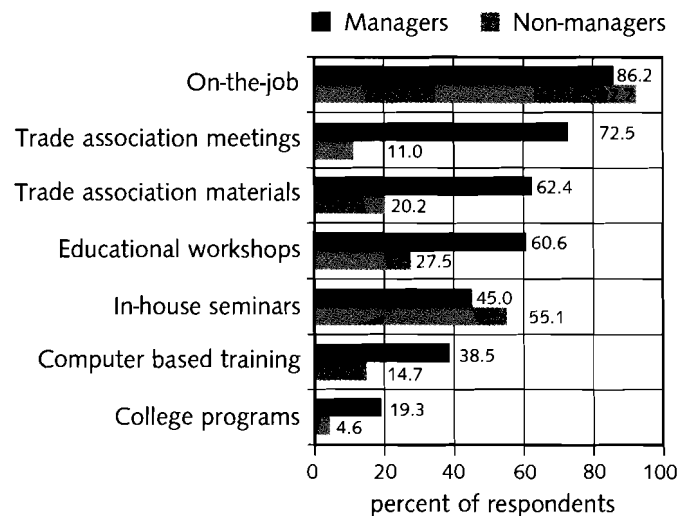
However, other than OJT training and in-house seminars, methods to train non-managers are much more limited than methods used to train managers. Educational workshops are used by 60.6 percent to train managers but only 27.5 percent to train non-managers. In addition, trade association materials and meetings, which are used by many, 62.4 and 72.5 percent respectively, to train management, are used by very few to train non-managers, 20.2 and 11.0 percent respectively. This despite the fact that there are a wealth of training materials available from associations for training non-managerial employees.

Despite the availability of computers in businesses today, computer-based training for managers is only provided by 38.5 percent of grower/shippers. And it is only provided by 14.7 percent of firms for training non-managers.

Finally, access to college programs is not provided by many grower/shippers for either manager or non-manager training. Nineteen percent of grower/shippers make use of college programs to train managers and 4.6 percent provide college programs for non-manager training.

FIGURE 4.4

Training Methods Used by Grower/Shippers, Managers vs. Non-Managers



Difficulty in Achieving Selected Management Skills

Grower/shippers were asked to rate the degree of difficulty they have in achieving their most important managerial and non-managerial skills (discussed in Section 3 above) using a scale of 1 to 5, with 1 = “extremely difficult”; 3 = “difficult but able”; and 5 = “not at all difficult.”

Overall, grower/shippers report difficulty ratings below the midpoint of 3 (“difficult but able”) for their most important managerial skills. “Communication,” “initiative/problem solving,” and “work ethic” are all rated 2.6 by all firms.

When broken out by firm size, small companies, with annual sales less than \$5 million, find it more difficult to attain the skills they need from their managers. Small firms rate their ability to achieve “communication skills” 2.0, “initiative/problem solving” at 2.2, and “work ethic” at 2.3 (Figure 4.5).



FIGURE 4.5

Difficulty in Achieving Selected Management Skills for Grower/Shippers, by Firm Size

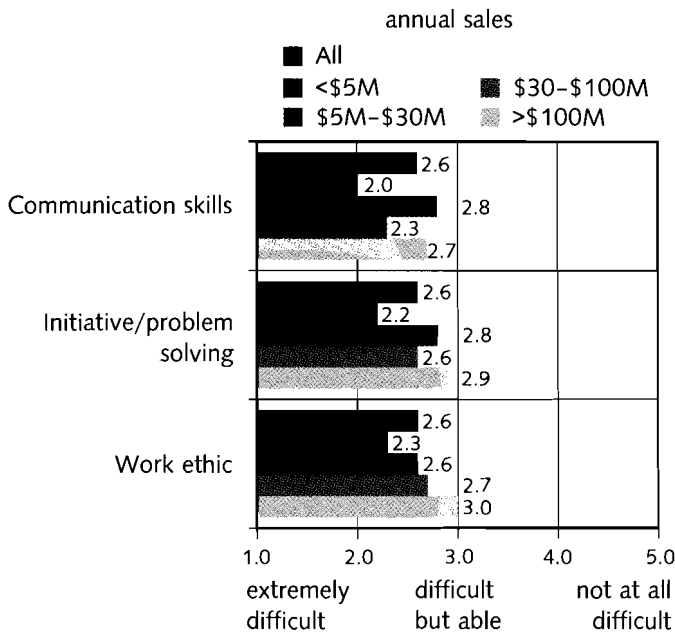
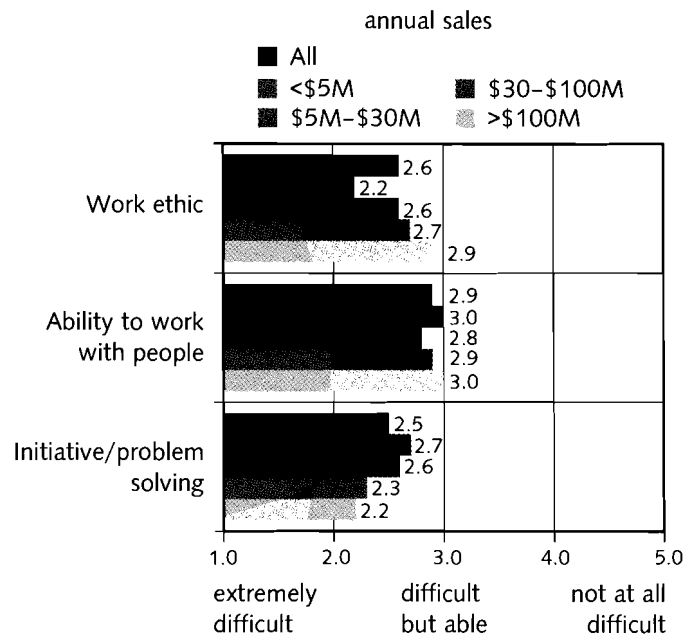


FIGURE 4.6

Difficulty in Achieving Selected Non-Management Skills for Grower/Shippers, by Firm Size



Skills needed by non-managers were also rated by grower/shippers and similar responses were obtained. In general, responses regarding non-managerial skills are almost identical with those regarding managerial skills. Grower/shippers rate “work ethic,” their most important skill for non-managers, 2.6 in level of difficulty in achieving (Figure 4.6). “Ability to work with people” is rated 2.9, and “initiative/problem solving” 2.5. In other words, all three top skills are fairly difficult to attain.

- leadership skills
- management skills

In general, wholesalers are not as likely as grower/shippers to provide training in the categories indicated. One reason may be that wholesalers expect to hire managers and non-managers who have already acquired all the skills they need with no additional training. Technical skills training to managers is provided by 51.1 percent of wholesaler respondents and to non-managers by 57.3 percent of respondents (Figure 4.7).

Computer skills must be deemed important, as 64.4 percent of wholesalers offer training in this area to managers and 55.1 percent to non-managers. However, leadership and management skills training may be considered as less important by wholesalers. Only 44.4 percent of wholesalers offer leadership skills training and 45.6 management skills training to their managers. For non-managers, only 18.0 percent of wholesalers offer training in leadership and 9.0 percent in management skills.

The Fresh Produce Industry: Wholesalers

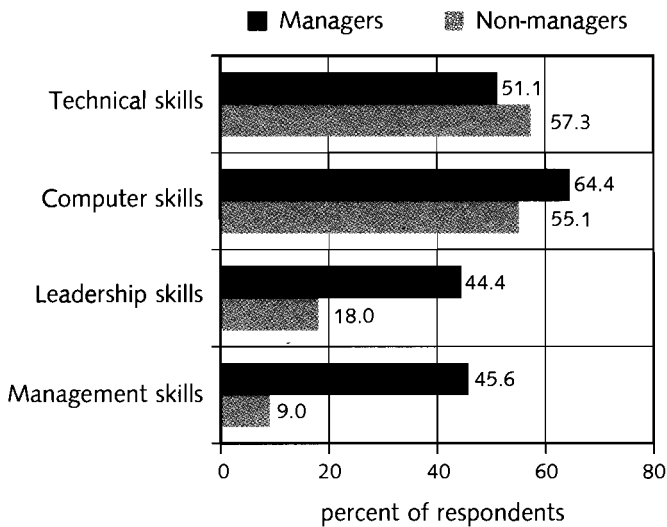
Types of Training Offered

Wholesalers, a designation including brokers and distributors, were asked whether they provide training in the following general skills categories:

- technical skills
- computer skills

FIGURE 4.7

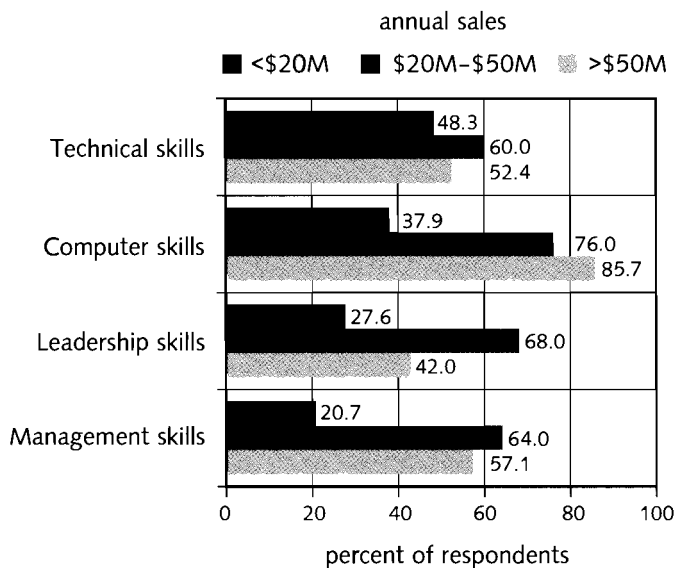
Skills Training Offered by Wholesalers, Managers vs. Non-Managers



When responses were broken out by firm size, small wholesalers (annual sales less than \$20 million) are less likely to provide managers with skills training than larger wholesalers. In all skills categories, small wholesalers were less likely to provide managers with training (Figure 4.8).

FIGURE 4.8

Skills Training Offered to Management Employees by Wholesalers, by Firm Size



The Transition of a Family Business

Not as old as many family businesses in the produce industry, Eli Nemarnik had decided to go his own way about twenty years ago when he began wholesaling fresh fruits and vegetables under the name of Pacific Coast Fruit in Portland, Oregon. His vision and hard work paid off as he watched with pride as business grew. Initially opened as a local distributor, over the course of the 1980s, PCF added extensive repacking facilities and its own trucking company. Employee numbers escalated. His son, David, joined the business in 1983 after his college graduation and became its president.

However, in the early 1990s, growth slowed at first, then halted completely. Sales of several of the most important commodities were actually down substantially from levels achieved in earlier years. In analyzing the reasons for the lagging performance, David and his dad recognized the problems were complex: they had no formalized business or marketing plan, they possessed no hierarchical chart and thus the corporate chain of command was unclear and delegation was sloppy, and there was no management recruiting or training. It was time, they decided, for the help of a professional management consultant.

In April 1995, the George S. May Company, a management consulting firm, spent three long days at PCF, investigating systems, talking to supervisors and hourly employees and discussing strategy with senior management. Based on this first consultation and a subsequent longer evaluation period working with the May Group, a new overall management plan was set in place. David and Eli Nemarnik met with all employees in small groups to explain the new organizational structure, the incentive systems and the new reporting and operating philosophy.

The first and biggest step was the implementation of a management training program, called Extended Management Training (EMT). This program, developed by the May Company, consisted of 24 separate

modules focusing on various aspects of effective management. Three hours of formal classroom discussion were devoted to each module every other week until the completion of all twenty four modules. In the first round of training, eight senior managers were selected for the training, including the Nemarnik family who served as facilitators for the programmed training. Since the initial session, two additional training sessions have been completed, incorporating now about 20 of PCF's managers.

The results of this new management plan, in particular the EMT, have been impressive. David Nemarnik explains: "Before our reorganization, our employees never knew who to turn to for what. My dad and I were viewed as the source of all authority yet the company was now clearly too large for us to possibly keep abreast of the scope of all our operations. Now job roles are well defined, a corporate hierarchy is in place and our people are working in more highly motivated teams. They feel, and we feel, that their potential is now being maximized, not squandered. I view this as a direct function of our new management training program."

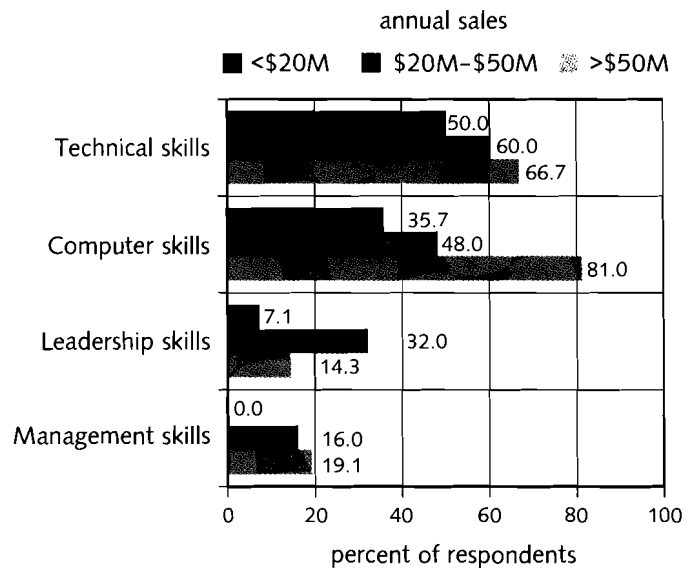
In addition to the net improvement in realizing the human potential in his firm, David points to several other tangible benefits of the EMT program. Employees, both managerial and non-managerial, are more enthusiastic and productive. Sales once again are registering gains, in fact, a minimum of 15 percent each of the last three years since the implementation of the training. Moreover, nearly 100 new employees have been added in the same period of time to keep up with the sales growth.

In an industry dominated by family owned and operated businesses at all levels of the distribution channels, the time may have come where company decisions can no longer be made around the dinner table. Many such produce businesses would benefit from the adoption of more contemporary management structures and practices.

The same trend is observed for non-manager skills training. In general, small-sized firms are less likely to provide training for their non-managers. For example, 50.0 percent of small firms provide technical skills training to non-managers, while 60.0 and 66.7 percent of medium- and large-size firms respectively provide these skills. In addition, 35.7 percent of small firms provide non-managers with training in computer skills, while 48.0 and 81.0 percent respectively of medium and large firms provide this training.

FIGURE 4.9

Skills Training Offered to Non-Management Employees by Wholesalers, by Firm Size



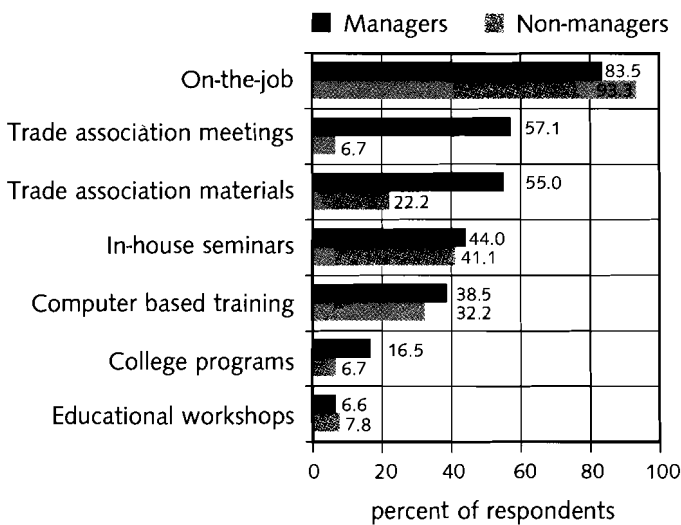
Types of Training Methods Utilized

Training methods employed by wholesalers encompass practices which include on-the-job training, trade association meetings and materials, and computer-based training. The great majority of wholesalers indicate that they use on-the-job training for training both managers (83.5%) and non-managers (93.3%) (Figure 4.10). Trade association meetings and materials are also very important training methods, however, they are used usually for managers and only rarely for non-managers.

In-house seminars are used by less than half of wholesalers. Forty-four percent use in-house seminars to train managers, while 41.1 percent use them to train non-managers. In-house seminars are actually the second most popular training method used by wholesalers to train their non-managers. Computer-based training appears reasonably popular with wholesalers who use it with both managers (38.5%) and non-managers (32.2%). College programs and educational workshops are used by very few wholesalers for either type of employee.

FIGURE 4.10

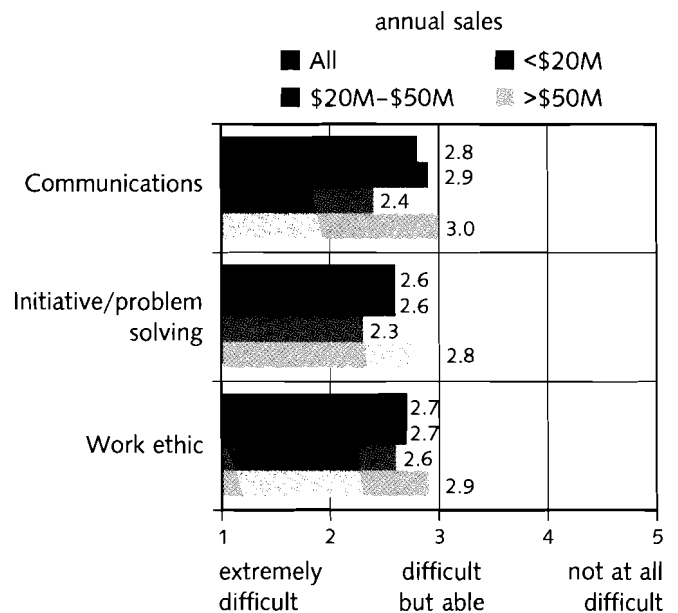
Training Methods Used by Wholesalers, Managers vs. Non-Managers



In the aggregate, the level of difficulty in achieving each of these skills was very similar: communications on average was given a 2.8 level of difficulty, initiative/problem solving received a 2.6 rating, and work ethic was rated 2.7 on the scale of difficulty. When responses were segregated by size, the middle category, with sales between \$20-\$50 million, reported greater difficulty in finding and developing these skills than did either the smaller or larger firms.

FIGURE 4.11

Difficulty in Achieving Selected Management Skills for Wholesalers, by Firm Size



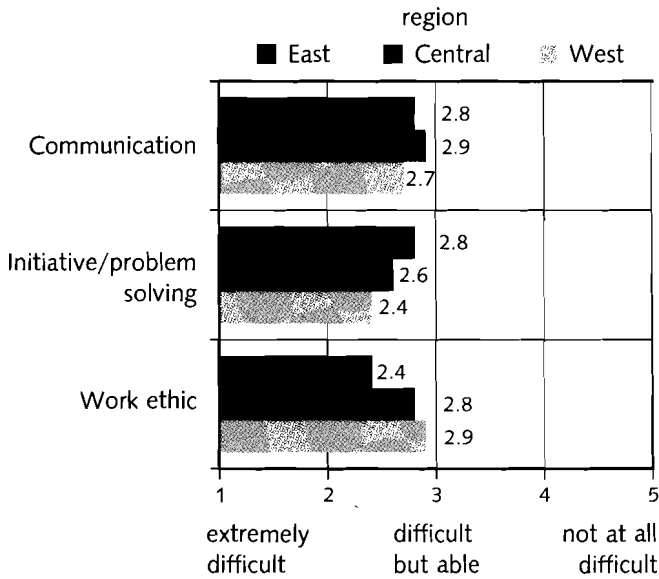
Difficulty in Achieving Selected Management Skills

Wholesalers rated the three most important skills, described previously in Section 3, for managers and for non-managers by the level of difficulty in achieving them in the workplace. When wholesalers rated the most important managerial skills on a scale of 1 to 5 (with 1 = “extremely difficult”; 3 = “difficult but able”; and 5 = “not at all difficult”), every skill, regardless of firm size is rated at or below the midpoint of 3, that is, “difficult but able” (Figure 4.11).

When examined by region of the country, wholesalers responded quite similarly. In the Western U.S. region, wholesalers have a tendency to report a slightly greater level of difficulty achieving managerial initiative/problem solving skills in the workplace than do the other regions of the country (Figure 4.12). Conversely, wholesalers from the Eastern U.S. report greater difficulty with achieving the desired work ethic in their wholesaler managers. However, it is important to note that these differences are quite minor.

FIGURE 4.12

Difficulty in Achieving Selected Management Skills for Wholesalers, by Region



A similar pattern holds true when wholesalers report difficulty in achieving skills for their non-managers. The difficulty of achieving “work ethic” and “communication skills” for non-managers was rated 2.7 by wholesalers, however, they rated “initiative/problem solving” at only 2.3—slightly lower than the other two skills and therefore, perhaps, more difficult to accomplish. This held true, in general, for all firm sizes and regions of the country.

The Fresh Produce Industry: Supermarket Retailers

Types of Training Offered

Supermarket produce executives were asked to describe the types of training offered to management and non-management personnel. Specifically they were asked to indicate the degree to which they offer each of the following types of training:

- general management training
- leadership training

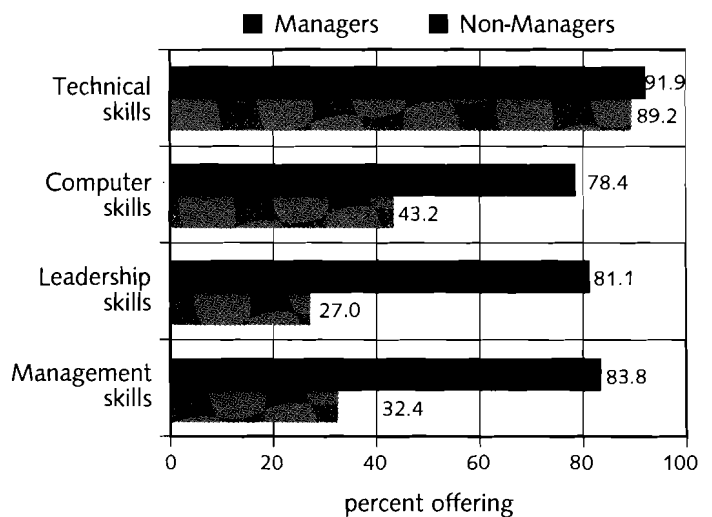
- computer skills training
- technical skills training

Clearly, as illustrated in Figure 4.13, management employees are offered a variety of training more frequently than non-management personnel. However, survey respondents indicate that technical skills training is offered by approximately 90 percent of firms to both management and non-management personnel. It appears that, regardless of job classification, retail produce executives believe specific training in produce skills is extremely important for all employees. Nevertheless, over 83 percent of retail respondents offer management training to managers while only 32 percent of firms make a similar offering to non-management employees (Figure 4.13).

Over three times as many firms offer leadership training to management employees than to non-management personnel. Finally, when it comes to computer skills training, 78 percent of firms make this type of training available to management while only 43 percent of firms offer computer skills training to non-management.

FIGURE 4.13

Skills Training Offered by Supermarket Retailers, Managers vs. Non-Managers



Side-by-Side Training

Contrary to what the general industry reports, D & W Food Centers, a Michigan based retailer, provides its non-managerial associates with training opportunities in management and leadership skills. D & W considers it only natural that if these associate employees are going to move up through the company and gain management positions that training them early in aspects of management and leadership can only help them to develop into stronger managers for the future.

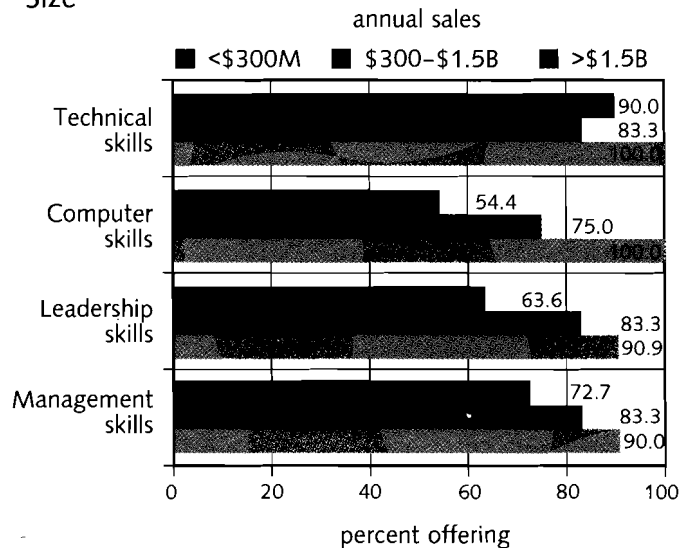
Managers and non-managers alike have the opportunity to sit side-by-side in 15 different training workshops on such issues as Diversity, Sexual Harassment, Effective Communication, Goal Setting, and Evaluation and Discipline. In such an equal opportunity setting, collaborations, communications and appreciation of all employment areas tend to improve dramatically.

Taking a closer look at training provided to management, overall, 92 percent of all firms, irrespective of firm size, provide technical skills training. Eighty-four percent of firms provide management training while 81 percent offer leadership training. Despite today's preponderance of computers in the workplace, only 78 percent of survey respondents report offering computer skills training to management employees (Figure 4.13). This suggests that retail firms may simply expect their management employees to begin their jobs already equipped with the requisite computer skills.

For all types of training offered to management employees, a higher percentage of large firms consistently offer all types of training than other size firms. With the exception of technical skills training, small retail firms are the least likely to offer management, leadership or computer skills training to their management level employees (Figure 4.14).

FIGURE 4.14

Skills Training Offered to Management Employees by Supermarket Retailers, by Firm Size

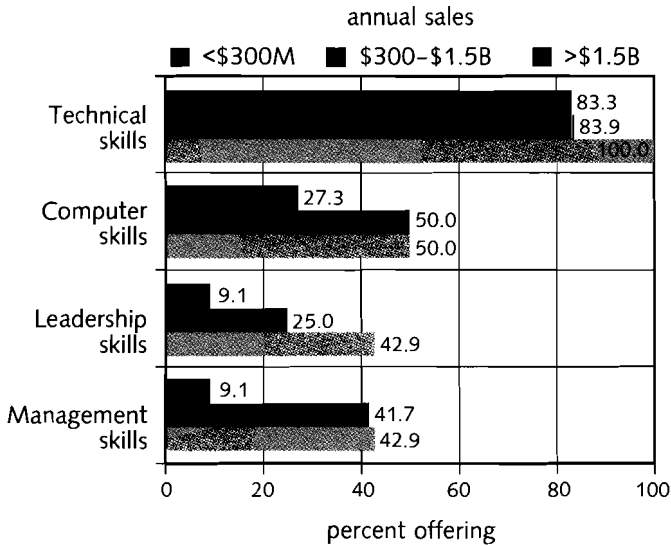


As indicated earlier, retailers were asked to indicate the types of training offered to non-management personnel. Once again, a higher percentage of large firms offer training to their non-management personnel than medium or small firms. Moreover, as might be expected, retailers place greater emphasis on providing non-management employees with technical skills training, as between 81 and 100 percent of firms report offering this type of training to non-management (Figure 4.15).

Computer training for non-management personnel is utilized on average by 43 percent of retail firms, however, one-half of both large- and mid-size firms offer computer training while only 27 percent of small firms provide this type of training. Overall, 32 percent of firms offer management training to non-management employees, however, when analyzed according to firm size, surprisingly, only 9 percent of smaller companies offer management training to non-management employees. Overall, 27 percent of firms reported offering leadership training to non-management personnel, however, this is an average of over 42 percent of large firms which offer leadership training and only 9 percent of small firms make a similar offering (Figure 4.15).

FIGURE 4.15

Skills Training Offered to Non-Management Employees by Supermarket Retailers, by Firm Size



Types of Training Methods Utilized

Produce retailers were asked to indicate the types of training methods used in their companies for management and non-management training activities. Once again, for all firms, management level personnel have greater access to training than non-management employees. On-the-job training (OJT), a time honored training method, continues to dominate the training arena. For both management and non-management personnel, 87 percent of firms reported relying on OJT as a primary training method (Figure 4.16).

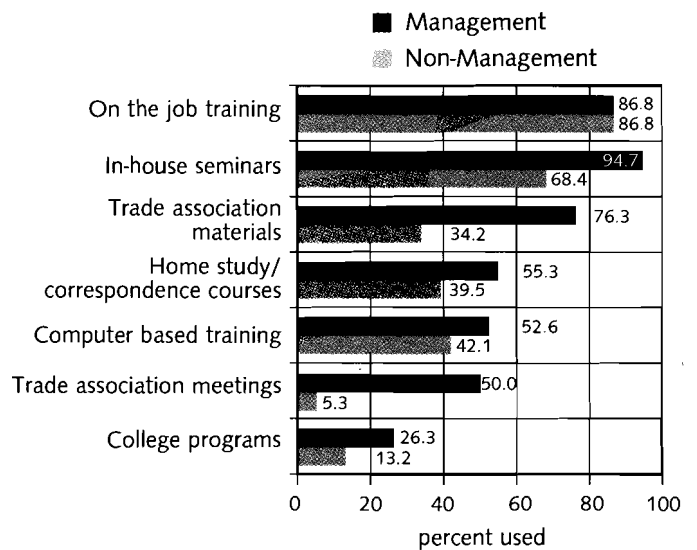
In-house seminars are also a commonly used training method by many firms. Sixty-eight percent of firms conduct in-house seminars for non-management personnel while nearly 95 percent of all firms utilize internal training seminars for management (Figure 4.16).

Trade associations play an important training role for retailers, particularly for employees in the management ranks. Seventy-six percent of firms utilize trade association materials and 50 percent of firms turn to trade association meetings as two important training methods for management (Figure 4.16). Despite the popularity of trade association resources for management personnel, far fewer firms offer non-management personnel the same opportunities. Thirty-four percent of firms use trade association materials for non-management while only 5 percent of firms utilize trade association meetings as a training tool for non-management personnel.

A remarkably similar number of firms utilize home study/correspondence courses and computer based training for both management and non-management personnel. Slightly over one-half of all firms use these two types of training methods for management personnel while approximately 40 percent of firms offer this training option to non-management (Figure 4.16).

FIGURE 4.16

Training Methods Used by Supermarket Retailers, Managers vs. Non-Managers, All Firms



Training: A Multifaceted Approach

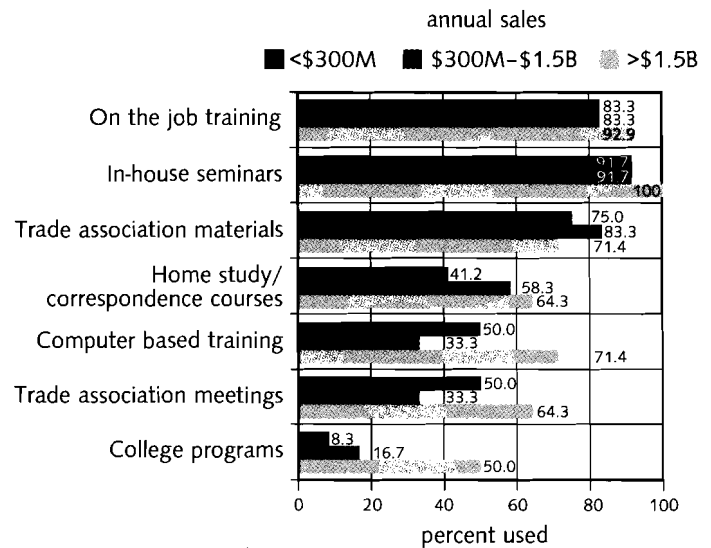
Training takes on many personalities at Bristol Farms, an upscale supermarket retailer in southern California. Whether formal or informal in nature, Bristol Farms is committed to providing their owner-partners (since all employees at Bristol Farms are stock holders they are known as owner-partners within the company) with a diverse array of training opportunities. Within the formal arena employees may attend a Dale Carnegie course as well as the University of Southern California Food Management Program—a sixteen week program attended with full pay! Informally, one-on-one on-site coaching has proven to be a successful training technique. Creating an informal dialog between supervisors and employees produces an environment conducive to mutual learning and sharing—something beneficial for owner-partners at all levels of the organization.

Finally, college programs are the least common type of training method employed by produce executives participating in this study. Only 26 percent of firms utilize college programs for management while just 13 percent of firms report engaging non-management personnel in college programs (Figure 4.16).

Examining training materials used for management, according to firm size, for six out of seven training methods listed, a higher percentage of large firms offers each type of training than do mid-size or smaller firms (Figure 4.17). OJT and in-house seminars are used by almost all firms in their management training programs regardless of firm size. Trade association materials are also commonly used by all firm sizes while trade association meetings are utilized by a greater percentage of large firms (64.3%) than either mid-size firms (33.3%) or small firms (50%).

FIGURE 4.17

Training Methods Used by Supermarket Retailers for Managers, by Firm Size



Almost two-thirds of large retail companies utilize home study/correspondence courses while just 41 percent of small companies take advantage of this training method. Over 70 percent of large companies report incorporating computer based training methods into their management training programs while one-half of small companies do likewise. Only 33 percent of mid-size companies use computer training methods. Finally, while one-half of all large firms report incorporating college programs into their management training programs, a mere 16 percent of mid-size and just 8 percent of smaller companies include college programs in their array of training programs (Figure 4.17).

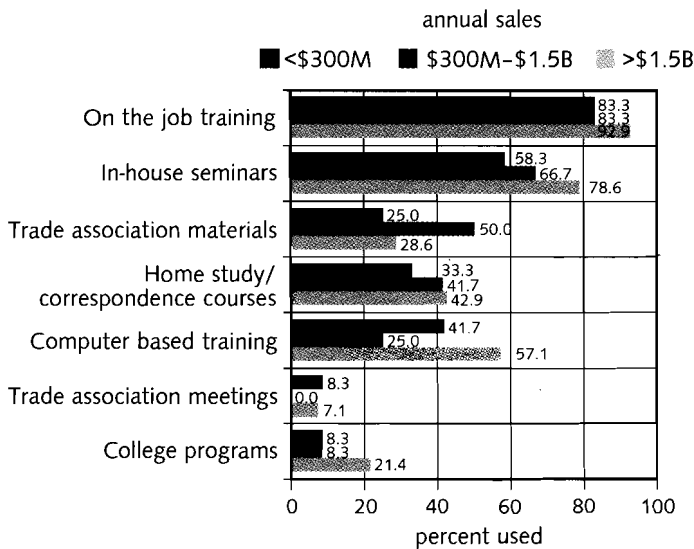
Produce executives were asked to respond to the same question regarding their use of training materials for non-management personnel. Once again, OJT and in-house seminars continue to be the most popular independent of firm size.

Computer based training is over twice as popular with large firms as mid-size firms. While only one-third of small companies use home study/correspondence courses, approximately 42 percent of mid-size



FIGURE 4.18

Training Materials Used by Supermarket Retailers for Non-Managers, by Firm Size



and large firms take advantage of this type of training activity for non-management personnel. Once again, trade association materials are more popular for training non-managers than trade association sponsored meetings (Figure 4.18).

Difficulty of Achieving Selected Management Skills

Produce executives were asked to indicate the difficulty they encounter achieving selected management skills for managers and non-managers alike. For their top three most important management skills, survey respondents rated the difficulty of achieving each skill using a scale of 1 to 5 (1 = “extremely difficult,” 3 = “difficult but able,” 5 = “not at all difficult”).

Focusing first on management personnel, retail supermarket firms with annual sales of less than \$300 million report having the most difficulty achieving “leadership” and “communications skills” and the least amount of difficulty achieving “product knowledge” and “initiative/problem solving skills” (Figure 4.19).

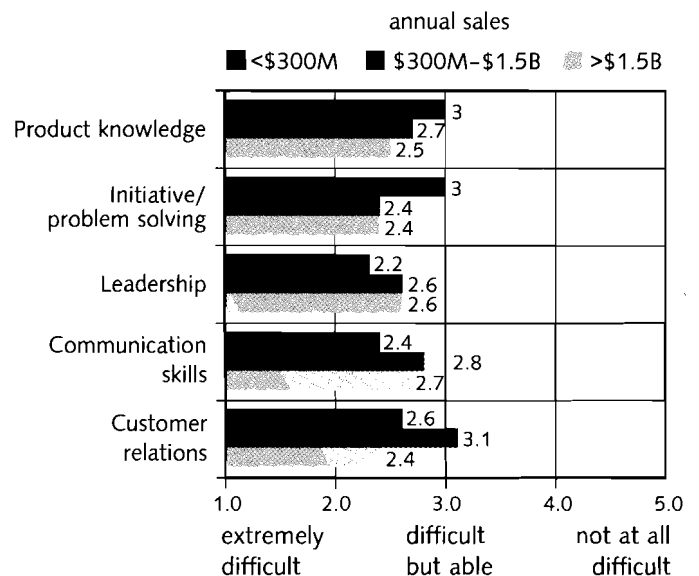
Mid-size companies report having the greatest difficulty achieving “initiative/problem solving skills” while “communications” and “customer relations skills” are apparently a bit less difficult to achieve (Figure 4.19).

Survey respondents representing large firms (sales >\$1.5B) report that they are “difficult but able” to achieve “product knowledge,” “initiative/problem solving skills” and “customer relation skills” but have a more difficult time achieving “leadership” and “communication” skills (Figure 4.19).

Despite relatively small differences between firms and firm sizes, two observations are appropriate. First, for this particular question, survey respondents were asked to indicate, in their opinion, the three most important skills (from a list of 9 possible skills) a manager should possess, and, indicate the difficulty they currently encounter in achieving each of the three skills. Four of the possible skills listed had virtually no responses from the supermarket retail executives completing this survey. In other words, they did not believe that “work ethic, team playing,

FIGURE 4.19

Difficulty in Achieving Selected Management Skills for Supermarket Retailers, by Firm Size



post high school education or past produce experience” were among the *most* important skills for managers to possess.

Second, in general, for the five most “important” management skills identified, survey respondents indicate that in every case, they are experiencing some degree of difficulty in attaining the desired level of skills for management personnel.

Survey respondents were also asked to characterize the difficulty they have achieving desired skills for non-managers from a list of nine possible skills. Of the nine possible skills, produce executives identified five skills as being the “most important” for non-managers. Based on this rating, they were then asked to indicate the “difficulty” they encounter in achieving these five skills with non-management staff. Once again, for each of the five skills and for every firm size, survey respondents indicated experiencing difficulty in achieving each skill.

Executives from mid-size firms report having the greatest difficulty achieving “initiative/problem solving skills” with their non-management personnel while having a somewhat easier time achieving non-management skills in developing “work ethic” and “team playing” (Figure 4.20).

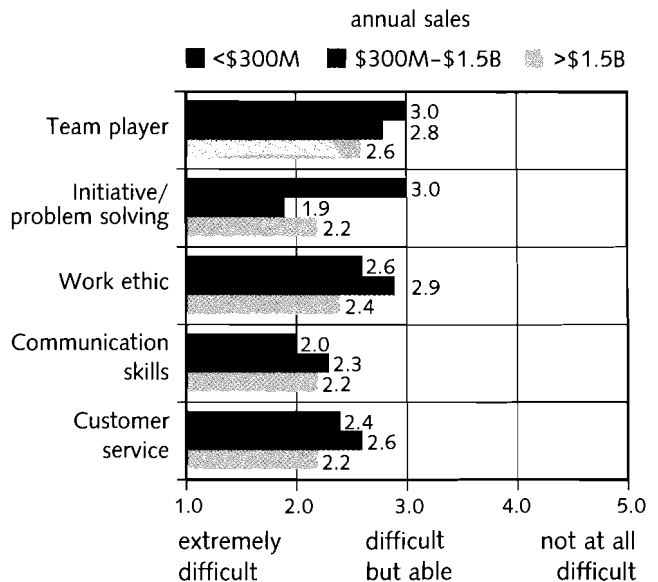
Executives representing firms with annual sales of less than \$300 million indicate that they are “difficult but able” to achieve “team playing” and “initiative/problem solving skills.” Communication skills and “customer service skills” appear to be the most elusive to achieve according to these executives (Figure 4.20).

Survey respondents representing the largest firms gave similar responses for each non-management skill. All of their responses range between 2.2 and 2.6, indicating that they are having considerable difficulty in achieving each of the skills listed in Figure 4.20.

Four of the possible skills listed had virtually no responses from the executives completing the survey. In other words, they did not believe that “technical skills, second language skills, high school education and past work experience” were among the most “important” skills for non-managers. ●

FIGURE 4.20

Difficulty of Achieving Selected Non-Management Skills for Supermarket Retailers, by Firm Size





Retention

National Statistics

Statistics on employee turnover are not systematically collected or reported by the Bureau of Labor Statistics (BLS). However, BLS does report years of tenure held by U.S. employees, a number which is inversely correlated with turnover rate. Collected as part of the BLS *Current Population Survey*, the Bureau reports that overall median length of employee tenure at individual firms has increased only slightly between 1991 and 1996 (Table 5.1).

Whereas employees in manufacturing, retail, and wholesale trades have experienced stable employment tenure rates since 1983, agricultural workers have actually experienced a significant increase in length of employment tenure since 1983.



Tenure rates for the U.S. economy reveal a slightly different picture when analyzed by gender and age. BLS reports that although overall employment tenure has remained flat since 1983, nearly every age group for men experienced a drop in tenure. Overall rates remained flat only because the population experienced a shift upward in age distribution where workers generally have longer tenure.

TABLE 5.1

Median Years of Tenure with Current Employer, by Industry, Selected Years

Industry	January 1983	January 1987	January 1991	February 1996
	<i>years of tenure</i>			
Total, 16 years and over	3.5	3.4	3.6	3.8
Agriculture	2.2	2.4	2.6	3.4
Manufacturing	5.4	5.5	5.2	5.4
Wholesale trade	3.8	3.7	3.4	3.9
Retail trade	1.9	1.8	1.9	1.9

Employee turnover, the inverse of employment tenure, is not a well documented measure on a national basis. However, some national measures do exist. For example, William M. Mercer, Incorporated, in a private survey of 206 business executives, reported on causes of employee turnover. The top three reasons for turnover as listed by these business respondents were compensation, career development, and work hours (Table 5.2)

- reasons why employees leave their companies
- difficulties encountered retaining management and non-management personnel
- the status of career development plans in companies, and finally,
- successful techniques initiated which improve employee retention

TABLE 5.2

Factors in Employee Dissatisfaction

Causes of Dissatisfaction	Percent of Respondents
Compensation	59
Career development	46
Work hours	25
Job fit	21
Manager-employee relations	21
Corporate culture	21
Recognition	16
Family obligations	13

Source: William M. Mercer, Incorporated, "Turnover—How Does It Affect Your Business?" 1998

The Fresh Produce Industry: Grower/Shippers

In a work environment where labor is scarce and recruitment is difficult, retention of employees becomes critically important. Grower/shippers, wholesalers, and supermarket retail executives were asked to comment on a series of questions regarding employee turnover and retention. Specifically these produce industry executives offered their feedback on:

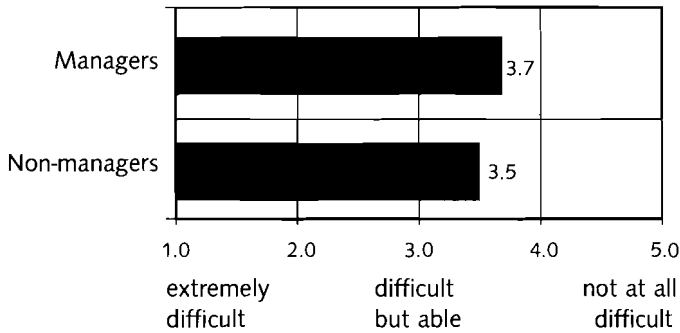
- turnover rates for management and non-management personnel

Retention Difficulties for Grower/Shippers

When grower/shippers were asked their perceptions of the difficulty of retaining employees on a sliding scale of 1 to 5, where 1 = "extremely difficult" and 5 = "not at all difficult," they responded with an average of 3.7 for managers and 3.5 for non-managers, well above the midpoint of 3, "difficult but able" (Figure 5.1). Retaining employees appears to be significantly easier than recruiting since these ratings are much higher than those for recruitment in Section 3. In addition, no difference appears to exist between retaining managerial and non-managerial employees.

FIGURE 5.1

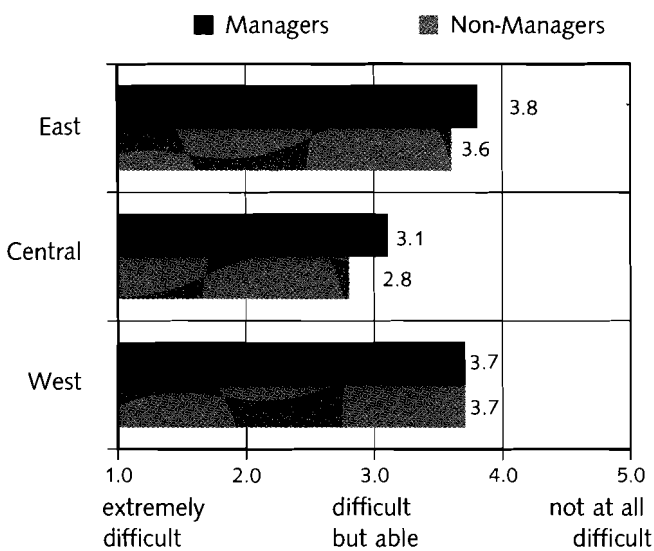
Grower/Shippers: Level of Difficulty in Retaining Employees, Managers vs. Non-Managers



These ratings of difficulty were quite uniform when examined across company size and varied only by 0.3 between managers and non-managers. However, when the information was broken down by region of the county, responses differed. Specifically, grower/shippers from the Central United States were decidedly more pessimistic about their ability to retain employees (Figure 5.2).

FIGURE 5.2

Grower/Shippers: Level of Difficulty in Retaining Employees, by Region

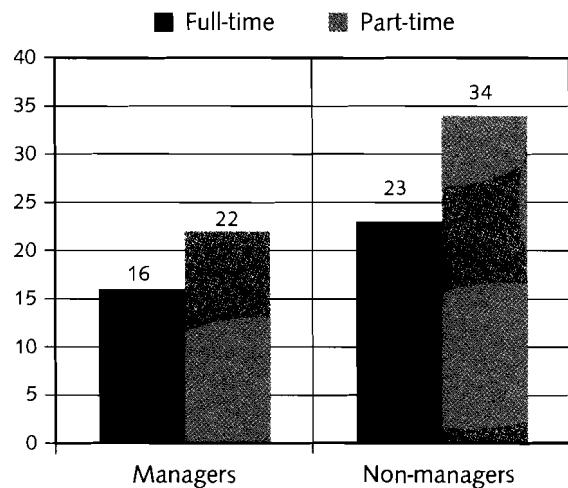


Turnover Rates for Grower/Shipper Firms

Retention rates for grower/shippers are quantified by percent turnover. Employee turnover is a measure of the number (or percentage) of overall work force within an organization that changes each year. Turnover rates for grower/shipper managers, both full-time (FT) and part-time (PT), are lower than for non-management employees. Furthermore, turnover is lower for full-time employees than for part-time employees (Figure 5.3). Turnover rates for the smallest and largest companies were similar, and lower in

FIGURE 5.3

Turnover Rates for Grower/Shipper Employees, Managers vs. Non-Managers



general than for the mid-size companies with sales \$5-\$30 and \$30-\$100 million (Figure 5.4).

Whereas Eastern grower/shippers have low turnover for their managers, only 16 percent, they have the highest turnover rate for non-managerial employees, 29 percent (Figure 5.5). Central U.S. grower/shippers report 15 percent turnover for managers and 25 percent turnover non-managers. Western grower/shippers report the lowest turnover for non-managers, 19 percent, when compared to the other two regions.

FIGURE 5.4

Employee Turnover for Grower/Shippers, by Firm Size

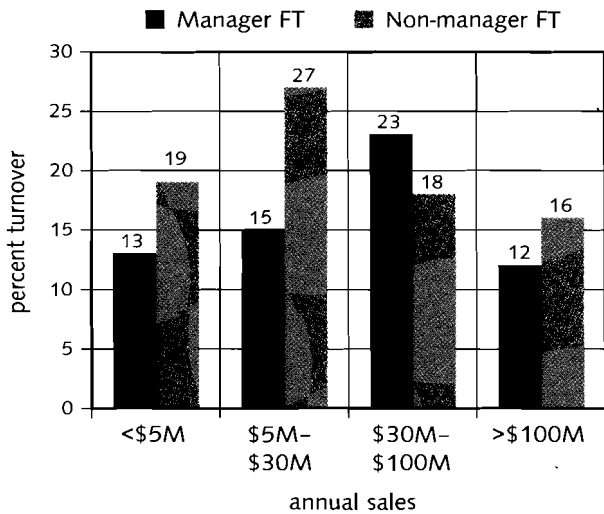
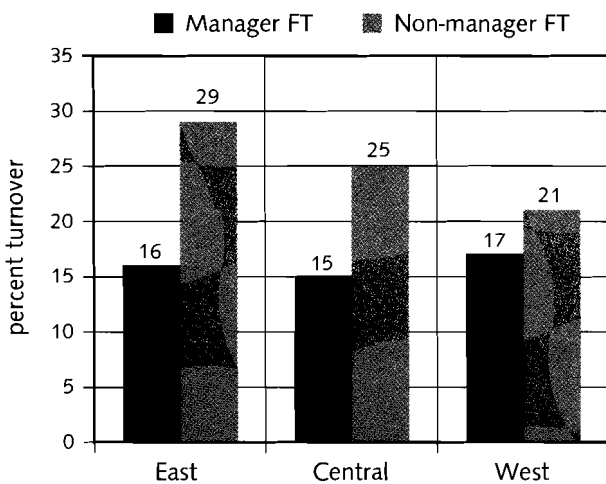


FIGURE 5.5

Employee Turnover for Grower/Shippers, by Region

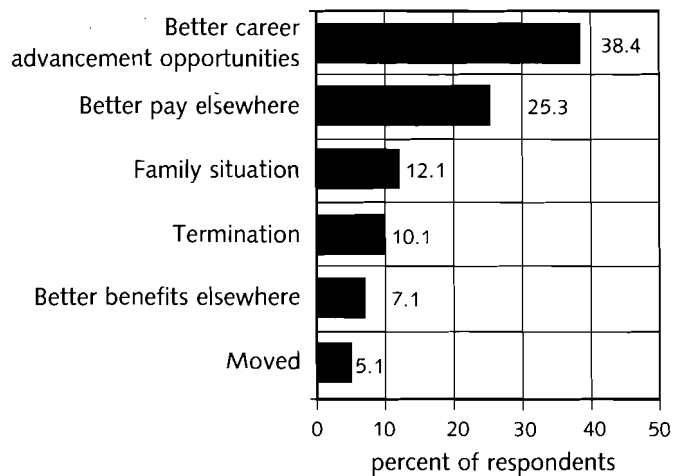


Reasons for Employee Turnover at Grower/Shipper Firms

Retention hinges upon many things. Grower/shippers were asked to select the most common reason why employees leave their companies. The reason selected by more firms (38.4%) than any other is “better career advancement opportunities” (Figure 5.6). “Better pay” was the second most frequent response offered by grower/shippers.

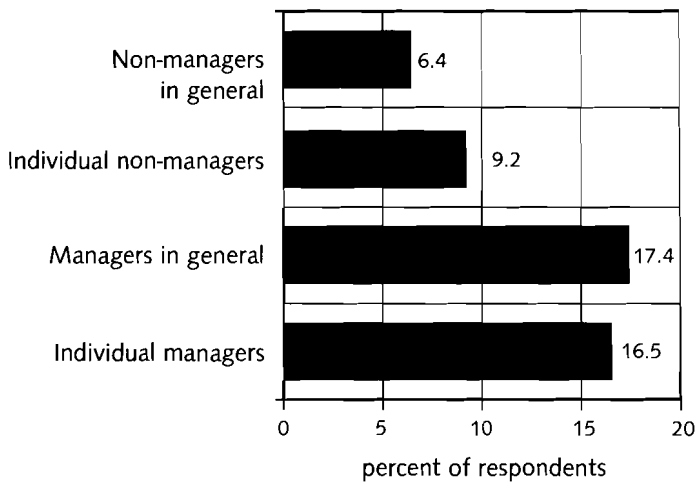
FIGURE 5.6

Reasons Why Employees Leave Grower/Shipper Firms



Career Development Planning for Grower/Shippers

The development of career plans may be one technique grower/shippers can utilize in order to minimize employee turnover. To explore this possibility, grower/shippers were asked if they develop career plans for their employees. Very few grower/shippers indicate that they have any career development plans for either management or non-management employees. Six percent have advancement plans for non-managers as a group; nine percent have plans for each individual non-manager. More companies indicate having career development plans for their managers. Seventeen percent have plans for managers as a group and roughly the same number, 16.5 percent, have plans for each individual manager (Figure 5.7).

FIGURE 5.7**Employee Career Development Plans Used by Grower/Shippers****Retention Techniques Used by Grower/Shippers**

Grower/shippers were asked to list recent initiatives they have used to improve retention rates in their companies. The most frequently cited initiatives relate to improving employee benefits (43.4%) (Table 5.3). Some of the most often used initiatives related to such benefits include:

- “bonus plans”
- “401K plans”
- “paid health benefits”

Almost twenty percent of grower/shipper initiatives provide pay improvements. Further, nearly 16 percent of the initiatives relate to employee communications and involvement (Table 5.3). Some of these latter initiatives include:

- “tailoring job to individual’s goals”
- “assign more responsibility”
- “give job recognition”
- “provide retreats and strategic planning meetings”

Other initiatives used by grower/shippers to enhance employee retention include improving work environment and work hours (12.0%), improving management skills (6.0%), and training (3.6%) (Table 5.3).

It must be pointed out that at no point did any respondent list an initiative that directly addressed career development, despite the fact that this is reported as the number one reason why employees leave. A couple of initiatives possibly related to career development that are mentioned are: “assign more responsibility” and “tailoring job to individual’s goals.” Initiatives to improve pay are directly applicable to the second most frequently reported reason why employees leave, “better pay elsewhere.”

TABLE 5.3**Initiatives to Improve Employee Retention Utilized by Grower/Shippers**

Initiatives	Percent of Responses
Improving benefits	43.4
Improving pay	19.3
Enhancing employee communications and involvement	15.7
Improving work environment and work hours	12.0
Improving management	6.0
Training	3.6

Holding Onto Your Workforce

The following five ideas for effective retention of new hires were generated at the 1998 Annual Produce Conference in a workshop session moderated by Harold Lloyd that focused on "developing your workforce."

- Make your new hires welcome: have them breakfast with senior management; send a fruit basket to them before they start their new job; send a letter to the new hire's spouse/family welcoming them to your company. If they have relocated, provide them with community information and contacts. Have your president give the new hire their first paycheck personally.
- Make sure that your new hire understands the whole company as well as their own department. Provide them with: training on the company's vision, culture and structure; a list of their own roles and responsibilities as well as other key position roles and responsibilities; an employee manual and company history. If your company has multiple locations, have new employees from around the country attend an orientation meeting in the home office in order to make them feel a part of the larger organization.
- Make sure that there is a written orientation checklist. The new hire should receive a copy of the list so that they know what to expect and can double check to make sure that nothing was missed. The list could also include a list of questions that the new hire should be able to answer at the end of the orientation period.
- Make sure that the new hire has a support system within the department and company. Use a buddy system/mentor program so that they are teamed with an enthusiastic "old timer." Schedule lunch dates with their supervisor, as well as any other employees that they will be working with. Develop a "new hire" night where they can meet their fellow associates and other new hires in a social setting. Get new hires involved in existing teams/committees. Ride with new hires on sales calls/visits during the first few weeks.
- Help the new hire get a feel for the entire business by taking them to visit suppliers, vendors or customers. Accompany them on a comparative shopping trip, so that they can compare and contrast how their own organization operates. Cross-train the new hire in other departments.

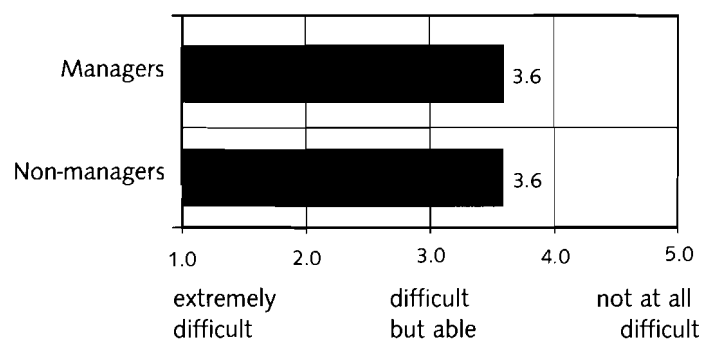
The Fresh Produce Industry: Wholesalers

Retention Difficulties for Wholesalers

Employee retention, whether managers or non-managers, was perceived and rated by wholesalers as being much less difficult than finding or recruiting employees. Using a scale of difficulty from 1 to 5, where 1 = "extremely difficult" and 5 = "not at all difficult", wholesalers assigned employee retention a 3.6, significantly better than even 3 = "difficult but able" (Figure 5.8).

FIGURE 5.8

Wholesalers: Level of Difficulty in Retaining Employees, Managers vs. Non-Managers



Turnover Rates for Wholesalers

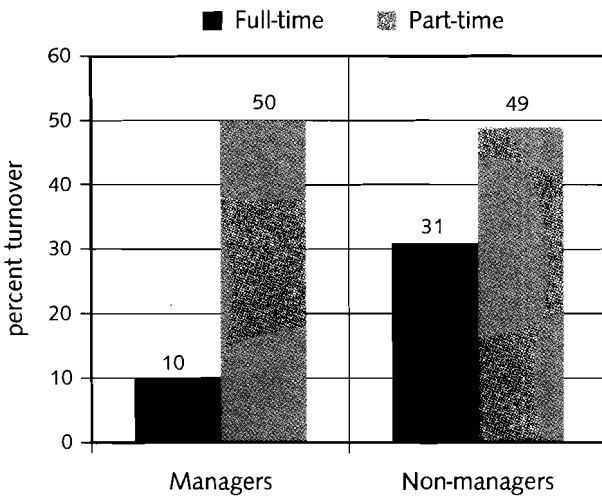
Normally, employers attempt to make every effort to retain qualified employees given the costs associated with recruiting and training new employees.

Wholesale executives report a relatively low turnover rate of only 10 percent for their full-time managers. However, this figure more than triples for full-time non-managers, rising to 31 percent (Figure 5.9).

Wholesalers typically do not hire part-time workers. In fact, the full-time employment rate for wholesale companies is measured at 99.3 percent of “full-time equivalents (FTEs). However, for those who do utilize part-time labor, turnover rates are much higher. Produce wholesalers report that part-time managers have a 50 percent turnover rate while part-time non-managers have a 49 percent turnover rate (Figure 5.9).

FIGURE 5.9

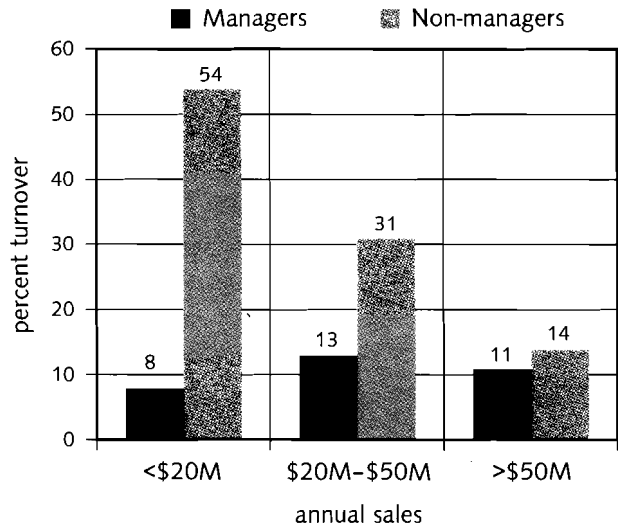
Employee Turnover Rates for Wholesalers, Managers vs. Non-Managers



annual sales of \$20-\$50 million report an average of 31 percent turnover while large firms with over \$50 million in sales report only 14 percent non-managerial turnover.

FIGURE 5.10

Employee Turnover Rates for Wholesalers, Managers vs. Non-Managers, by Firm Size



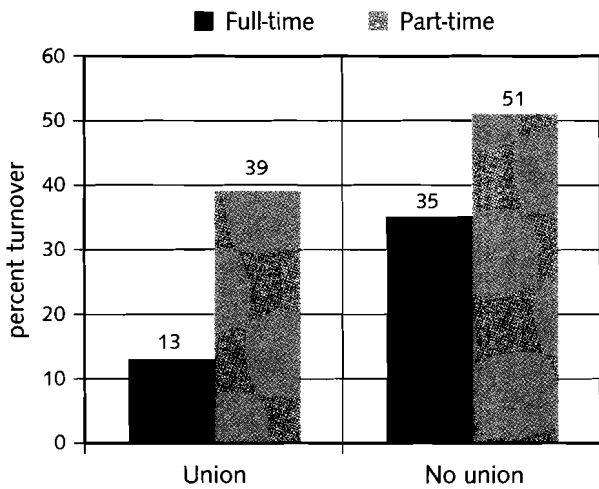
Non-managerial employee turnover is shown to be a problem for all but the largest wholesalers. One factor that has a bearing on turnover which may be controversial is unions. Companies with unions were correlated with lower turnover rates for their non-managers. While companies without unions had, on average, 35 percent turnover for full-time non-managers, companies with unions had only 13 percent turnover for this same employee group (Figure 5.11). The percent turnover for part-time workers was lower for unionized companies as well.

Management turnover is very low and stable, regardless of wholesale company size. However, turnover rates for non-managers are affected by company size. The percent turnover for non-managers is very high in small wholesaler firms (54%) with less than \$20 million in annual sales (Figure 5.10). It drops rapidly as firm size increases. Firms with



FIGURE 5.11

Wholesaler Employee Turnover Rates for Non-Managers, Union vs. No Union

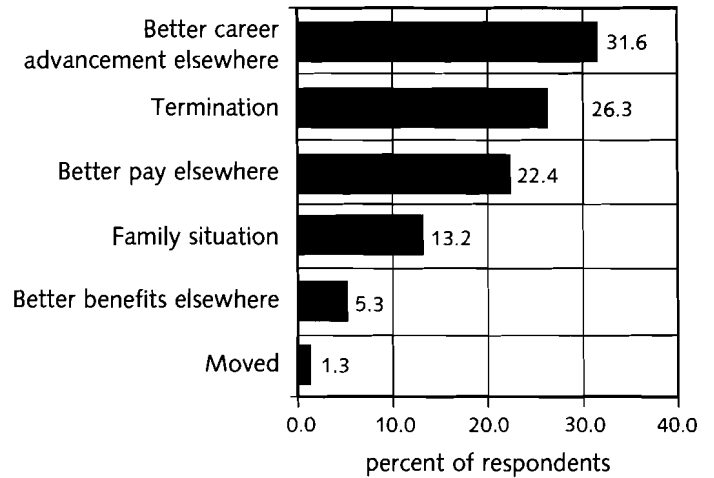


Reasons for Employee Turnover at Wholesale Firms

While it is useful to know company turnover rates, it is arguably more important to seek explanations from employees who do leave regarding their reasons. Wholesalers were provided a list of reasons why employees may leave and were asked to select the primary reason why employees leave their companies. The reason most often chosen by wholesalers was the same chosen by grower/shippers, “better career advancement elsewhere” which was selected by 31.6 percent of wholesalers (Figure 5.12). “Termination” and “better pay elsewhere” were also common

FIGURE 5.12

Reasons Why Employees Leave Wholesaler Firms



responses and received 26.3 and 22.4 percent of wholesaler responses respectively. Other responses, “better pay elsewhere,” “family situation,” and “moved” were typically not selected by many companies as reasons for employee turnover.

The reasons cited for leaving a wholesale company change slightly by company size, although the basic three reasons still remain the same for each size company. However, small firms report that “termination” and “family situation” were the top two reasons for turnover (Table 5.4). Middle size firms believe “better career advancement elsewhere,” while larger firms select “termination” as the primary reason.

TABLE 5.4

Reasons Why Employees Leave Wholesale Firms, by Firm Size

Reasons for leaving	<\$20M	\$20M-\$50M	>\$50M
	<i>percent of respondents</i>		
Better career advancement elsewhere	16.7	41.2	28.6
Termination	29.2	17.7	38.1
Better pay elsewhere	8.3	29.4	33.3
Family situation	29.2	11.8	0.0

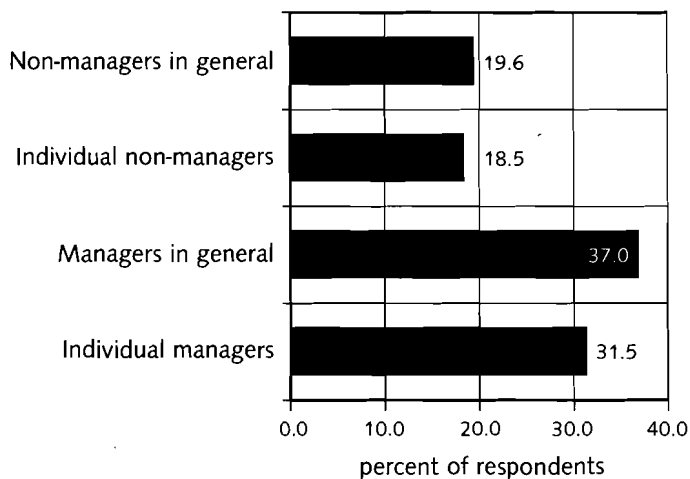
Career Development Planning for Wholesale Firm Employees

Although the primary reason wholesalers give for employees leaving is “better career advancement elsewhere,” wholesalers, as well as grower/shippers, have relatively flat organizational hierarchy with few opportunities for career advancement. Wholesalers were asked if they have career development plans in place for their employees. Very few respond positively. When queried about the status of career development

plans for non-managers, less than 20 percent of wholesalers indicate they have any type of generic career development planning for non-management personnel (Figure 5.13). Likewise, a similar percentage (18.5%) of wholesalers indicate having “individualized” career planning programs for non-managers. Over 30 percent of executives representing wholesale produce companies indicate they have career development plans for their managerial employees (Figure 5.13).

FIGURE 5.13

Employee Career Development Plans Used by Wholesalers



Retention Techniques Used by Wholesalers

Some wholesale companies have begun to implement various initiatives in an effort to improve employee retention rates. The majority of these initiatives, 50.6 percent, include enhancing or adding benefits (Table 5.5).

Specific initiatives mentioned relating to company benefits include:

- “forced vacations”
- “401K plans”
- “profit sharing and bonus programs”
- “flex time”
- “improved paid sick leave”

TABLE 5.5

Initiatives to Improve Employee Retention Utilized by Wholesalers

Initiatives	Percent of Total Responses
Improving benefits	50.6
Enhancing employee communications and involvement	18.1
Improving work environment and work hours	13.2
Improving pay	12.0
Improving management	6.0

A Recipe for Retention

One wholesaler respondent reported all the tools in line to maximize employee retention. His ingredients for low, low turnover rates of 0.0 percent for managers and 8.6 percent for non-managers in a wholesale produce company with non-union labor are:

- aggressive, progressive company
- opportunity to advance
- state-of-the-art facilities, equipment, technology
- comprehensive feedback on job performance
- in-depth coaching and mentoring

"We treat our employees as our most valuable resources. It may sound foolish, but I give our employees priority over our customers as being #1. This in itself has led to increased customer satisfaction and customer service."

Eighteen percent of the initiatives deal with enhancing employee communications and involvement. Several specific initiatives were suggested under this category which include:

- "opening communications"
- "self-development meetings"
- "open-door policy to senior management"
- "succession planning"
- "sharing corporate objectives"

Wholesalers list examples of "improving pay" 12 percent of the time, but "improving management" in order to increase retention is only addressed with 6.0 percent of the initiatives. These latter initiatives included such things as:

- performing exit interviews
- having a job description manual
- tracking job performance

Again, although the primary reason given for employee turnover is "better career advancement opportunities elsewhere," most initiatives do not address this issue. Only the initiative "succession planning" appears to offer a solution to the problem of career advancement opportunities.

The Fresh Produce Industry: Supermarket Retailers

Retention Difficulties for Supermarket Retailers

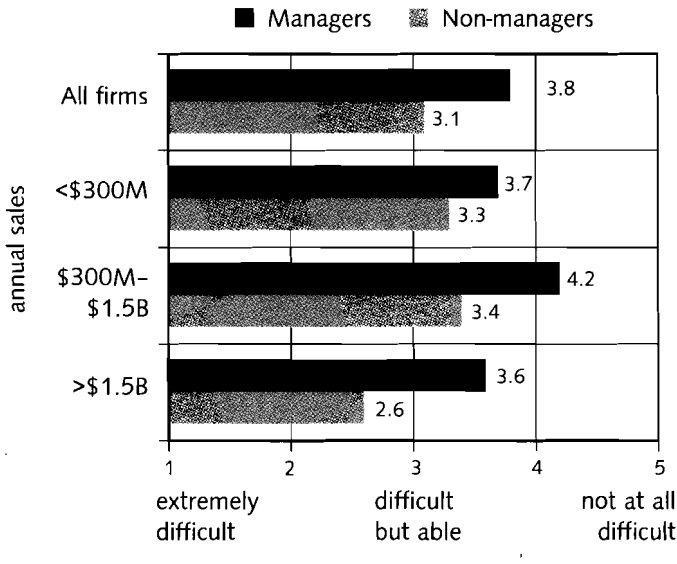
Supermarket produce executives were asked, in their opinion, to describe the difficulty they encounter retaining produce employees. Generally, for all firms, regardless of size, it is easier to retain produce management employees than non-management employees. Overall, mid-size firms report having the least amount of difficulty in retaining employees while the largest firms appear to have, overall, the most difficulty in retaining both management and non-management produce employees (Figure 5.14).

Turnover of Retail Supermarket Produce Employees

Supermarket produce executives were asked to indicate the turnover rate for full- and part-time employees at three levels: for headquarters management, at store level and in the distribution center. At the management level, executives representing small firms report virtually zero part-time turnover, while 27.5 percent of a large firm's part-time management turnover annually. As would be expected, turnover rates for full-time management are relatively low with

FIGURE 5.14

Supermarket Retailers: Difficulty in Retaining Supermarket Produce Employees, Managers vs. Non-Managers



mid-size firms reporting the lowest turnover at just 4.6 percent (Figure 5.15).

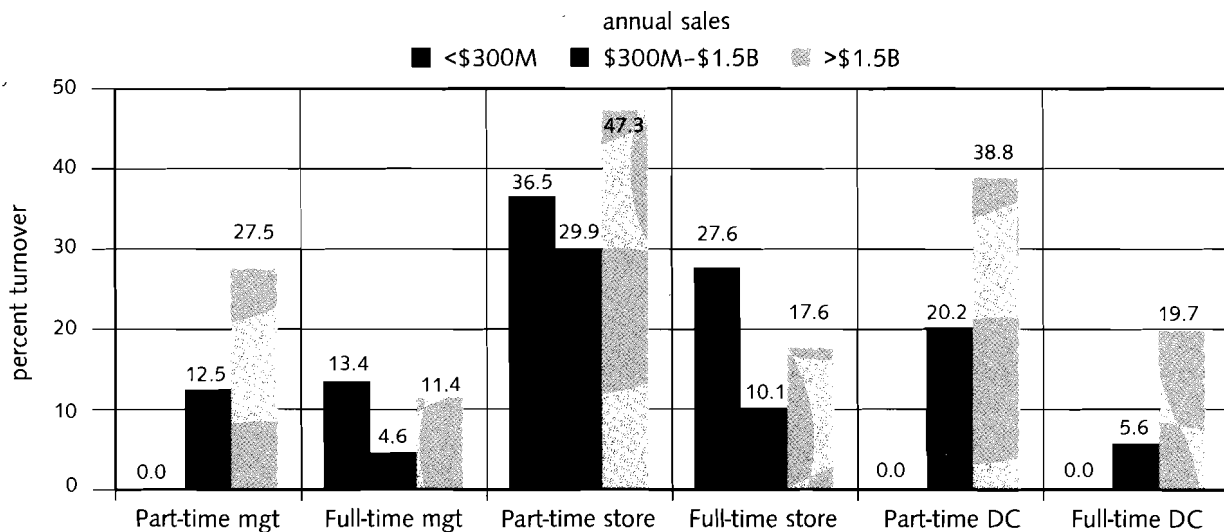
The scenario for turnover rates at retail store level is in stark contrast to management turnover rates. In

general, large firms suffer the highest turnover rates for store level part-time employees as over 47 percent of part-timers leave within a year while mid-size companies report only a 30 percent turnover rate for part-time store employees. These same mid-size firms also boast the lowest turnover rate for full-time store level employees with only a 10.1 percent turnover rate compared to 27 percent turnover rate for smaller firms (Figure 5.15).

Only mid- and large-size firms report turnover rates for their distribution centers (DC) since, in most cases, a small retail firm is supplied by a wholesaler and therefore, does not own a DC. Supermarket executives representing large firms indicate a 39 percent turnover rate for part-time DC employees and a 20 percent turnover rate for full-timers. Once again, mid-size companies experience a lower turnover rate than larger firms. Only one-fifth of part-time DC employees leave each year and just under 6 percent of full-time DC workers turnover annually (Figure 5.15).

FIGURE 5.15

Turnover Rates of Management, Store Level and Distribution Center Employees for Supermarket Retailers



Strategies to Improve Employee Retention

In an industry like food retailing, an industry troubled with high turnover and low profitability, retaining the right people is more than just a challenge. It is the key to success, perhaps to survival. Senn-Delaney, a Unit of Arthur Andersen, has conducted considerable research to identify the root causes of employee turnover and, based on this research, has developed strategies and tactics that improve employee retention, not just in retail business but in any employee-centered organization.

The following strategies are employee policies that Senn-Delaney has found to be "best practices" among U.S. companies aiming to improve employee retention:

People

- Establish performance goals and expectations with employees
- Offer feedback through employee appraisals every six months
- Create job protocol guidelines to ensure consistency company-wide
- Incorporate customer satisfaction survey results into the performance review of employees who interact with customers
- Provide formal and informal employee recognition

Processes

- Prescreen hiring candidates for cognitive ability, work ethic, honesty and customer service orientation
- Develop an employee handbook
- Provide written job descriptions
- Establish ways to gain input and ideas from employees
- Utilize an action team process to involve employees in change processes
- Provide training opportunities to existing employees to further develop their skills

- Establish a mission statement that addresses the value of employees
- Develop a process to integrate acquired employees into the company culture

Financial

- Compensate employees for successful ideas
- Review labor market to ensure that compensation levels are in line with the market, the industry and the organization
- Provide a recruiting referral bonus program
- Establish a centralized training facility

Technology

- Track turnover based on job level, years of service, department, performance rating, gender and/or ethnicity
- Utilize behavior assessment technology to ensure that people are correctly matched to their jobs.

Source: Senn-Delaney, "Food for Thought," January, 1998, Vol. 3, No. 1.

Reasons for Employee Turnover in Supermarket Firms

Supermarket produce executives responding to this survey were asked to indicate why employees leave their company. The two most common answers are "better pay" and "better career advancement opportunities elsewhere" (Table 5.6).

Other reasons executives cite for employee turnover at retail levels include:

- frustration
- lack of training
- lack of self-esteem
- hours
- type of work
- going back to school
- full-time opportunities

TABLE 5.6

The Top Two Reasons Why Produce Employees Leave Supermarket Retail Companies

Firm Size	Better Pay	Better Career Advancement Opportunities Elsewhere
<i>% of firms offering this reason</i>		
Sales < \$300 million	25	17
Sales between \$300 M - \$1.5B	67	33
Sales > \$1.5B	29	36

Produce Department Turnover Lower

Although not measured quantitatively by the *FreshTrack* survey, many retailers revealed during personal interviews that their employee turnover in the produce department is lower, in some cases considerably lower, than in other departments in the store. A number of reasons were cited:

- Produce department is a more interesting work environment, more "alive."
- Produce employees are (often) paid more than the store average.
- Produce department is viewed as the "place to be" because it sets the image for the entire store.
- Merchandising can be more creative and challenging thus attracting the best people to the produce department.
- Produce department is more "dynamic": new crops arriving each week, seasons change the product mix, controlling shrink more exacting, display specifications not set at headquarters.
- Produce department is more social and fun because a team work environment is generally required.
- Produce department is more casual: not a "white shirt" mentality but rather a "roll-up your sleeves" orientation.

Career Development Planning for Retail Supermarket Employees

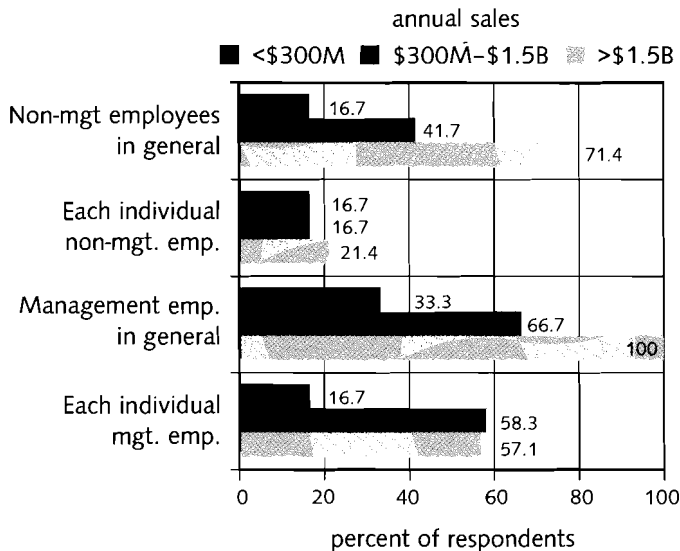
In an earlier discussion, it was reported that one of the primary reasons employees leave their current employer is because of better job opportunities. One way many companies combat such "job hopping" is to offer employees comprehensive career development

plans so they can "see" their future within the company rather than looking for it at a competitor. Produce executives were asked two related questions regarding career development planning for both management and non-management employees. First, they were asked, "does your company have a career development plan for employees in general" and second, "does your company have a career development plan for each individual employee."

In general, supermarket retailers, irrespective of firm size, tend to offer some type of generic career development planning to both management and non-management employees alike. However, on average, management employees are offered both generic and personalized career development planning more often than non-management employees (Figure 5.16). In reviewing supermarket executive responses it appears that large firms are more proactive in this arena than other firm sizes. Firms with annual sales less than \$300 million tend to be the least likely to offer career development planning in general (Figure 5.16).

FIGURE 5.16

Employee Career Development Plans Used by Supermarket Retailers



Retention Techniques Used by Supermarket Produce Executives

The last question survey respondents were asked regarding employee retention focused on their most successful retention techniques. A variety of responses were given, however, four distinct categories emerged: training, money, work environment and career advancement.

Within the training arena, four discrete techniques have been found to be successful in increasing produce employee retention rates. They included:

- team building
- improved education opportunities
- management development programs
- centralized training

As might be expected, money and money-related benefits are commonly used strategies when enticing employees to remain with a company. Several tactics were suggested:

- 401K programs
- management bonus
- better pay scale
- length-of-stay bonus
- referral bonus
- employee discount program
- college reimbursement program
- benefits for part-time employees

Creating a work environment which is employee “friendly” was also mentioned by several produce executives. Specifically, they indicate the need to:

- treat people fairly
- listen to employee feedback
- be flexible in scheduling
- enhance communications especially from top management
- provide employee evaluations on a regular basis
- offer employee recognition

Open Communication Leads to Improved Retention

Dick's Supermarkets view employee evaluation as an opportunity to keep communication lines open between management and non-management company members. In fact, the term "evaluation" is rarely used. Instead, a "two-way communicator" was developed—a tool which is user friendly, takes only a few minutes to complete, and keeps supervisors and employees in touch with each other on a quarterly basis. Both supervisors and employees complete the "two-way communicator." Specifically, a rating system was developed which is based on six characteristics of outstanding company members:

- Customer minded
- Company member minded
- Product minded
- Detail minded
- Open minded
- Stable minded

After both supervisor and employee have completed the "two-way communicator" they sit down, discuss the results and mutually establish a plan of action. All in all, Dick's has found an innovative way to encourage an open exchange of opinions and perceptions through a forum focused on the mutual development of employees and supervisors.

Finally, providing career development opportunities for employees is also mentioned as a technique proven successful in retaining employees. Supermarket produce executives feel it is important to provide employees with:

- career advancement opportunities
- comprehensive career development planning

Communication is key to improving employee retention—at Bristol Farms, in Southern California, all employees are "owner partners" and have full access to all company information—operational *and* financial. Keeping employees informed is one strategy for lowering turnover rates and enhancing employee involvement and commitment. ●

Human Resource and Labor Summary

For *FreshTrack 1998*, the special theme has been labor and human resource issues for the fresh produce industry.

These issues were explored at several levels in the produce distribution system: grower/shipper, wholesale/distributor/broker and retailer. This comprehensive effort serves to document the key challenges that confront produce companies with respect to their employees while allowing them to benchmark their respective successes and failures against the practices of others in their own industry. By such intra- and inter-industry sharing of information, it is intended that certain new “best practices” may be extended more quickly throughout the industry, adopted, and in the process, elevate the overall performance of the produce industry. This report categorized the main issues and challenges facing the produce industry into three principal categories: employee recruiting, training and retention. Below are the highlights of the foregoing sections, organized by principal category, including some implications of these results for the overall produce industry.



The Bottom Line

- Small companies within the produce system may be too resource constrained to offer fully developed human resource programs. Often, these companies lack structured efforts in recruiting and training, as well as “attractive” and “competitive” salary and benefit packages. Furthermore, small companies are least likely to have formalized career development programs leaving promising employees with uncertain career paths and unsettled futures.

- Despite the fact that turnover rates are highest for non-management employees within the produce system, the majority of companies did not perceive retaining their non-managers as being difficult. Produce executives have not responded to this dilemma with increased training, career development opportunities or improved benefits. Quite the contrary. Universally, non-management employees are offered less training, generic career development opportunities—when they exist at all—and fewer benefits than their management counterparts. Perhaps, produce executives have resigned themselves to this situation, in a way, accepted it as a cost of doing business. However, in an economic climate of low unemployment, produce executives may need to rethink their traditional position and offer non-management employees more “management-like” employment incentives. They must ask themselves, will an investment in non-managers today reap the benefits of lower turnover tomorrow?
- It appears from the results of *FreshTrack 1998* that most produce companies view human resources from a “traditional” viewpoint. Typically, whether a grower/shipper, wholesaler or retailer completed a survey or participated in a personal interview, responses were largely “expected.” In other words, the tried and true methods of recruiting, training and retention continually emerged with very few truly innovative ideas surfacing from the pool of responses. Perhaps produce executives should cast a wider net by looking outside the produce industry for innovative and effective recruiting, training and retention methods, which together with their “tried and true” methods, will strengthen their labor pool with quality candidates, committed to their jobs and to the company.

Recruiting

- Generally, larger companies in the produce industry feel far less constrained by the lack of qualified labor than do smaller companies. One-third of the latter, in the grower/shipper and wholesale sectors of the industry, report that the lack of qualified employees has limited company expansion. In interviews, produce executives explain this finding by speculating that small companies are too resource constrained to offer a package of work conditions and traditional benefits adequate to recruit the qualified employees that they seek.
- Recruiting new employees is difficult for all levels of the produce industry, whether recruiting for managers or for non-managers. However, in the three major industry sectors surveyed—grower/shippers, wholesalers and retailers—firms report a more difficult time recruiting managers than non-managers, with wholesalers reporting the most difficulty. Grower/shippers have more difficulty recruiting non-managers than do the other two sectors.
- Produce industry recruiting techniques tend to be informal. The produce industry is an industry where information spreads rapidly, about prices, about weather and about job availability. The regionalization of produce production makes the industry appear smaller perhaps than its sales volume would otherwise indicate. Grower/shippers and wholesalers alike report that their most effective recruiting techniques are informal: networking, personal referrals, word-of-mouth and pleasant working environment. Offering competitive salaries and benefits to increase recruitment effectiveness was only third or fourth on their lists. Recruitment of employees at post-secondary educational institutions is rare in the produce industry, especially among grower/shippers and wholesalers but is becoming more commonplace among retailers.

Create a Positive Image

It is likely that more financial and human resources devoted to recruiting, and recruiting in the right places, would improve these difficult recruiting conditions. Moreover, this appears to be a widespread industry dilemma, not simply an individual firm problem. As such, there are roles to be played not just by individual companies but by industry trade organizations to assist in initiatives like encouraging members to create better working conditions in all sectors of the produce industry. Moreover, much could be done in the way of creating a more positive image of the career opportunities in the produce industry at the national and regional levels.

- Repeatedly, U.S. Bureau of Labor Statistics studies demonstrate that larger companies provide a greater number of benefits for their employees and that the overall financial value of the benefit package is also greater. In this sense, the produce industry mirrors the national picture quite well. For all sectors, grower/shippers, wholesalers and retailers, it is the larger firms that tend to offer the largest array of benefits. Moreover, since consolidation and ever larger company sizes are now realities in all sectors of the produce business, the fact that larger companies offer more benefits results in a direct improvement in the quality of lives of many workers in the produce industry.
- While providing some training, in general, the majority of produce firms prefer to hire individuals who have already been educated elsewhere to industry norms and standards. Further, the majority of companies indicate that they are ready to pay more for such already-trained individuals. Large firms report an even stronger preference for already-trained individuals than do small firms.

Broaden Your Perspectives

Preferences for already-trained individuals may indeed be acting as a constraint that produce companies unwittingly place on their recruiting efforts. A reasonable case could be made that by relying primarily on word-of-mouth, informal recruiting techniques and searching primarily within the industry for already-trained employees, companies are missing the opportunity to reach a broader, perhaps talented applicant pool. That is, produce firms may not feel so strongly about the difficulty of recruiting qualified employees if they are willing to cast their nets more broadly and conduct more of the training themselves.

- Grower/shippers and produce wholesalers agree on the most desirable management skills for which they recruit: communication skills, initiative/problem solving abilities and a strong work ethic. Retailers, on the other hand, have a different set of priorities for their management staff. They look for leadership first, followed by customer relations and then the related communication skills. The great majority of supermarket retailers have long established training/career development programs whereby career paths are suggested early on to newly recruited employees. Typically, leadership development is always a cornerstone of such programs. However, an irony is that despite recruiting hard for leadership and providing a considerable amount of formalized "leadership" training, retailers do not report a high success rate at actually attaining leadership skills in their employees. In this sense, retailers are not unlike most other organizations in the U.S. economy which struggle with developing leadership skills in their employees. It is also likely that customer relations is a more sought after trait for



retailers than it is for others simply because retailers' employees come in contact much more frequently with numerous and diverse customers, whereas the employees of grower/shippers and wholesalers more often tend to work internally or with the same set of accounts on a regular basis.

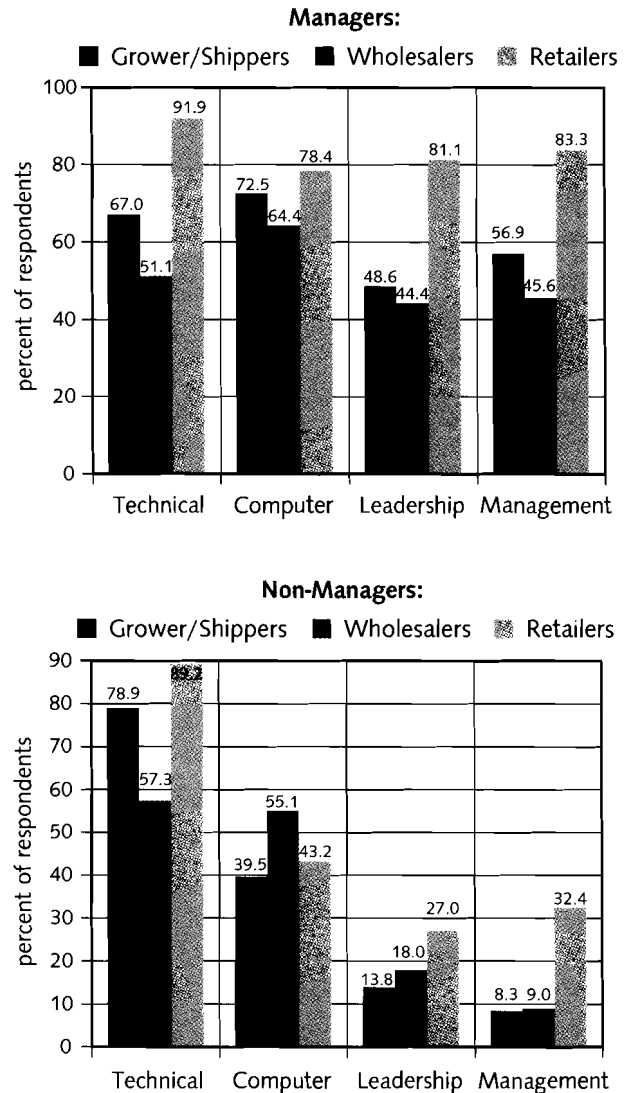
- For non-managers, grower/shippers and wholesalers again are in agreement on the most sought after skill: a strong work ethic. This may simply reflect the fact that often difficult physical work is required of non-managers which can be, not always fairly, associated with a strong work ethic. Retailers, too, cite a strong work ethic as important in their non-management employees but look first for good customer service skills, most probably due to the frequent contact with shoppers expected of most store level employees.

Training

- In the U.S. economy as a whole, Bureau of Labor Statistics surveys reveal that training expenditures, on a per employee basis, increase with a corresponding increase in company size for virtually all forms of training expenditures. Not surprisingly, the same holds true for most sectors of the produce industry. Not only do small firms offer fewer benefits than larger companies, they provide less formal training as well. One indirect consequence of such practices may be that, inadvertently, small companies thereby cede distinct advantages to their larger counterparts in the competition for one of the marketplace's scarcest resources: qualified labor.
- Although produce executives interviewed for this study underscored their belief in the importance of training, real practices differ. One, fewer than half of the companies in most industry sectors actually provide training to non-managers for three of the four major training skill categories-computer skills, leadership skills and

FIGURE 6.1

Skills Training for Managers and Non-Managers in the Fresh Produce Industry



management skills. Two, only roughly half of grower/shippers and wholesalers offer their managers training in management and leadership skills. Only retailers provide training in all four categories to management to a substantial degree, over three-quarters of companies.

- Most produce firms agree that consistently finding the skills they seek in new employees is difficult. Grower/shippers and wholesalers have nearly identical experiences regarding achieving

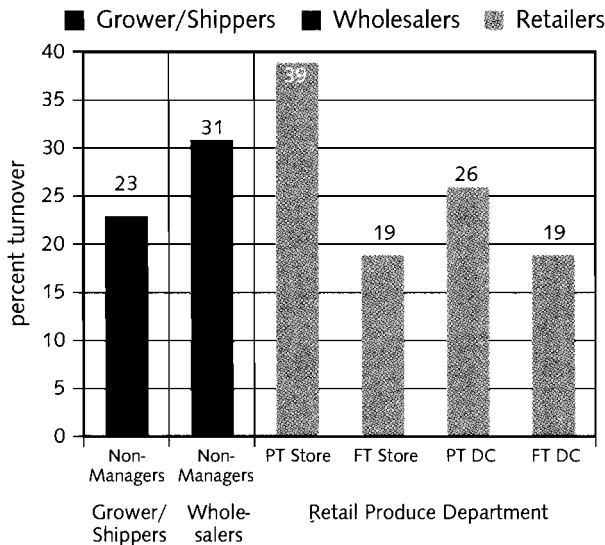
desired skill levels: while they do not find it “extremely difficult,” neither are they totally able to attain the level of skills they require. Retailers, on the other hand, are slightly less pessimistic about their ability to achieve their desired skills. Retailers’ optimism may be explained by a number of possibilities: they may have more effective training and formalized HR programs, they may initially recruit better trained people, or, as larger organizations generally with many more employees and higher turnover rates, they may simply have lower expectations of their employees’ abilities to achieve.

- Grower/shippers and produce wholesalers both offer considerably more training for managers than they do for non-managers, with the sole exception of technical skills, which they provide at a greater rate to non-managerial ranks. Supermarket retailers, too, provide considerably more training to managerial employees. In all sectors, since turnover is higher for non-managers than for managers, a linkage may be traced to employees’ initial training, or lack thereof. Simply put: if firms offered more training in the first place to non-managers, it is reasonable to imagine that turnover would be improved.
- Whereas grower/shippers and wholesalers seem to be of one mind in that neither sector provides much management training to non-managers (less than 10% of both groups), one-third of supermarkets do provide their non-management employees with management training. This appears to be an investment by supermarkets into the management potential of their non-managers for the future. Grower/shippers and wholesalers may unwittingly be saying to their non-management staffs: “you have no chance of being a manager in this company.”
- Of all the training techniques and methods available today in the produce industry, the time-tested on-the-job (OJT) training is employed far more than any other method by grower/shippers

and produce wholesalers and is used by retailers a great deal as well, but with about the same frequency as in-house seminars. Many argue that the “learning-by-doing” method associated with OJT is the best technique for learning a new skill, and by the way, is often quite cost-effective as well. However, OJT can also have the unfortunate consequence of simply spreading the bad habits of one employee to another instead of training the newly hired individual in the correct and recommended technique. Training materials from industry trade associations, including conventions, were also often cited by many industry participants as being frequently used for training, especially of managers. If OJT is in such widespread use for produce industry companies, it appears as if opportunities exist to enhance its overall impact. For example, several produce companies have begun to “formalize” on-the-job training through mentor programs and designation of outstanding employees as official trainers. Such recognition and status go a long way in improving the morale and performance for all employees.

Retention

- Produce companies report far less difficulty retaining their employees than they do in recruiting them. This suggests that produce industry careers may be more challenging and satisfying once experienced than they appear from the perspective of outside the industry. Grower/shippers find that retaining managers is roughly the same as retaining non-managers when examining turnover rates, but wholesalers and retailers both experience much more difficulty in retaining their non-managers. Ironically, firms appear to perceive less difficulty in retaining their non-managerial employees than their actual percent turnover rates would indicate. It is possible that over time, firms simply become accustomed to relatively high employee turnover as a “reality” of doing business.

FIGURE 6.2**Turnover Rates for Non-Managers within the Fresh Produce Industry**

- Employee turnover in produce companies is almost universally higher for part-time employees than it is for full-time. Moreover, it is also predictably higher for non-managers than for managers in nearly all companies. For the most part, no discernible trend was evidenced for turnover rates by company size. In their distribution centers and stores, mid-size retailers (annual sales between \$300M - \$1.5B) have turnover slightly lower than their smaller and larger competitors. Employee turnover rates as high as the ones reported here (over 50%) have both direct and indirect costs, often neither of which are fully recognized.
- Employees leave produce businesses primarily because of better pay and for the opportunity of better advancement elsewhere. These were the leading reasons given by companies to explain employee turnover in grower/shipper companies and in retail companies. Wholesalers agreed that better career advancement elsewhere was the leading factor explaining employee departures, but unlike the other sectors, added “termination” as an important explanation also. One

The Cost of Turnover

Traditional measures of the losses incurred by high employee turnover rates only concentrate on the costs of recruiting, hiring, and training of the replacements. But a substantial amount of new research demonstrates that, especially in people-oriented, service businesses like the produce industry, the real cost of turnover is loss of productivity and customer satisfaction. One recent study of an automobile dealer's sales personnel by Abt Associates concluded that the average monthly cost of replacing a sales representative who had five to eight years experience with an employee who had less than a year of experience was as much as \$36,000 in lost sales.

explanation may be that the performance of produce wholesale employees might not be as consistent with employer expectations, hence resulting in termination, as is the employee “expectations-performance balance” in growing/shipping and retailing. Of course, it is also possible that for wholesalers, who have very low turnover in the management ranks, that the only time someone leaves is when he/she is terminated. Smaller grower/shippers, many of them family operations, also point to changing family situations such as marriages requiring relocation, as a leading cause of their employees leaving.

- Part of the rapid-fire, volatile nature of the produce industry may influence the short-run approach that many produce companies take to their employees' careers. Very few grower/shippers, for example, actually develop career plans for their employees. Even for managerial levels, fewer than one out of five grower/shipper engages in career planning. Produce wholesalers develop employee career plans to a

greater degree, both at non-manager and managerial levels, but again, less than half of wholesalers use career development planning as a regular part of their HR strategy. Retailers, on the other hand, tell a different story, particularly the larger among them: almost three-quarters of the largest retailers have in place career development planning for non-management employees in general and virtually 100 percent of these large supermarket companies use career development planning for managerial ranks.

- To decrease employee turnover and thereby improve employee retention rates, the most common approach used by produce companies is to improve the benefit packages they offer. Indeed, nearly half of all produce companies cite this as their most frequent strategy. ●

Tailor Your Benefits

Several executives interviewed on this issue mentioned that the nature of benefit packages in the produce industry needs to change. Younger employees, in particular, the so-called Generation X'ers, tend not to be as interested in health programs and retirement plans as much as older employees or even as much as their same aged peers a generation ago. The employees entering today's workforce will change jobs four or five times in a lifetime. They have witnessed their parents downsized and outplaced. Younger employees don't have the same value system nor career goals as their parents' generation. They want quality of life benefits, enjoyable working environments, flexible work schedules, job training particularly in computer areas, and longer vacations.



Marketing and Performance Benchmarks for the Fresh Produce Industry

This section of the *FreshTrack* report contains three principal parts intended to serve as a ready reference guide to factors that describe and influence the fresh produce industry. The data and information included here pertain both directly and indirectly to the produce industry. Key points are highlighted for each table or figure.



Part 1: General human resource and labor references

Part 2: Industry and governmental data that pertain to fresh produce: consumer demand and wholesale/retail operations

Part 3: *FreshTrack* Benchmarks: 1997 versus 1998

Part 1: General Human Resource and Labor References

U.S. Civilian Labor Force, by Major Demographic Category, 1986–2006

Group	Number			% Distribution		
	1986	1996	2006	1986	1996	2006
Total		(1,000s)				
(16 yrs and over)	117,834	133,943	148,847	100.0	100.0	100.0
16–19	7,926	7,806	8,924	6.7	5.8	6.0
20–24	15,441	13,377	15,494	13.1	10.0	10.4
25–34	34,591	33,833	30,842	29.4	25.3	20.7
35–44	27,232	36,556	35,455	23.1	27.2	23.8
45–54	17,739	26,397	35,157	15.1	19.7	23.6
55–64	11,894	12,146	18,753	10.1	9.1	12.6
65 and over	3,010	3,828	4,221	2.6	2.9	2.8
Gender						
Men 16 and over	65,422	72,087	78,226	55.5	53.8	52.6
Women 16 and over	52,413	61,857	70,620	44.5	46.2	47.4
Ethnicity						
White	101,801	113,108	123,581	86.4	84.4	83.0
Black	12,654	15,134	17,225	10.7	11.3	11.6
Asian and other	3,371	5,703	8,041	2.9	4.3	5.4
Hispanic	8,016	12,774	17,401	6.8	9.5	11.7
Other than Hispanic	109,458	121,169	131,446	92.9	90.5	88.3
White non-Hispanic	94,026	100,915	108,166	79.8	75.3	72.7

Source: Bureau of Labor Statistics, "BLS Releases New 1996-2006 Employment Projections," 1997

- Although the majority of American workers, 52.5 percent, fell into the age category 25-44 in the 1980s, by 2006 this category will comprise only 44.5 percent of American workers. The age groups "35-44, 45-54, 55-64 and 65 and older" will all be larger in both absolute and relative terms in 2006 than they were in 1986.
- Women are gaining on men in the workplace: in 1986, women constituted only 44.6 percent of the workforce but this will grow to 47.4 percent of the labor force by 2006.
- The ethnic population is becoming a larger percentage of the civilian labor force: for example, Hispanics comprised only 6.8 percent of the labor force in 1986. This will grow to 11.7 percent by 2006.

U.S. Civilian Labor Force, Changes by Major Demographic Category, 1986-2006

Group	# change		% change	
	1986-1996	1996-2006	1986-1996	1996-2006
<i>Total</i>	<i>(1,000s)</i>	<i>(1,000s)</i>		
(16 yrs and over)	16,109	14,904	13.7	11.1
16-19	-120	1,118	-1.5	14.3
20-24	-2,064	2,117	-13.4	15.8
25-34	-758	-2,992	-2.2	-8.8
35-44	9,324	-1,101	34.2	-3.0
45-54	8,658	8,960	48.8	33.9
55-64	252	6,607	2.1	54.4
65 and over	818	393	27.2	10.3
Gender				
Men 16 and over	6,665	6,139	10.2	8.5
Women 16 and over	9,444	8,763	18.0	14.2
Ethnicity				
White	11,307	10,473	11.1	9.3
Black	2,480	2,091	19.6	13.8
Asian and other	2,332	2,338	69.2	41.0
Hispanic	4,758	4,627	59.4	36.2
Other than Hispanic	11,711	10,277	10.7	8.5
White non-Hispanic	6,889	7,251	7.3	7.2

Source: Bureau of Labor Statistics, "BLS Releases New 1996-2006 Employment Projections," 1997

- The largest percentage change in labor force age between 1986-1995 took place in the group 45-54. As this group ages to become 55-64 they will also constitute the largest relative increase between 1996-2006.
- The largest relative increases in ethnicity in the American labor force between 1986-2006 will occur in the Asian and Hispanic segments of the population.

U.S. Occupations with Largest Job Growth

	Employment		Change	
	1996	2006	number	percent
	(1,000s)	(1,000s)	(1,000s)	(%)
Cashiers	3,146	3,677	531	16.9
Systems analysts	506	1,025	519	102.6
General managers and top executives	3,210	3,677	467	14.5
Registered nurses	1,971	2,382	411	20.9
Salespersons, retail	4,072	4,481	409	10.0
Truck drivers light and heavy	2,719	3,123	404	14.9
Home health aides	495	873	378	76.4
Teacher aides and educational assistants	981	1,352	371	37.8
Nursing aides, orderlies, and attendants	1,312	1,645	333	25.4
Receptionists and information clerks	1,074	1,392	318	29.6

Source: Bureau of Labor Statistics, "BLS Releases New 1996-2006 Employment Projections," 1997

- The U.S. occupations expected to have the greatest growth in absolute numbers between 1996 and 2006 are cashiers, systems analysts, and general managers and top executives.
- The U.S. occupations with the largest relative expected growth are systems analysts, home health aides and teacher/educational assistants.

Reported Changes in Formal Training Programs in U.S. Businesses over the Last 3 Years by Selected Characteristics and Size of Establishment

	Size of Establishment			
	50 or more employees	50-99 employees	100-499 employees	500 and more employees
	(%)	(%)	(%)	(%)
Proportion of establishments reporting that the percentage of employees who receive formal training has:				
Increased	65.0	60.1	71.0	75.5
Decreased	3.4	3.6	2.8	5.9
No change	31.6	36.3	26.2	18.7
Proportion of establishments reporting that the number of full-time training personnel on their payroll has:				
Increased	5.7	2.0	8.1	30.6
Decreased	2.1	0.8	1.8	20.3
No change	7.1	2.4	12.9	16.2
No full-time	85.1	94.8	77.3	32.9
Proportion of establishments reporting that the amount of money spent on formal training programs has:				
Increased	69.2	66.3	72.8	75.0
Decreased	5.2	5.7	3.8	11.2
No change	25.6	28.0	23.4	13.9

Source: U.S. Bureau of Labor Statistics, *1995 Survey of Employee-Provided Training-Employer Results, 1997*.

- The majority of U.S. companies report providing more formalized training to employees. Larger companies (with over 500 employees) report the greatest increase.
- Formalized training expenditures have also increased for all company sizes, again with the greatest increase found in the largest companies.

Selected Expenditures per Employee by Rate of Employee Turnover and by Part-Time Employment

Characteristic	Tuition Reimbursements	Wages and Salaries of In-house Trainers	Payments to Outside Trainers	Contributions to Training Funds
All establishments with 50 or more employees	\$50.6	\$138.5	\$97.7	\$11.5
Employee turnover				
Low	\$68.9	\$198.2	\$140.2	\$0.9
Medium	\$61.1	\$176.0	\$117.3	\$11.7
High	\$26.2	\$52.9	\$50.8	\$13.1
Part-time employment				
None	\$46.8	\$147.4	\$106.3	\$16.7
Some but less than 10%	\$73.3	\$179.9	\$145.0	\$12.9
10% or more	\$34.5	\$100.8	\$55.8	\$7.4

Source: U.S Bureau of Labor Statistics, "1995 Survey of Employee-Provided Training-Employer Results" 1997

- The greater the expenditure on such programs as employee training and employee tuition reimbursement, the higher the employee retention rate.

Part 2: Consumer Demand and Grocery Wholesale/Retail Operations

U.S. Disposable Personal Income 1980 to 1996

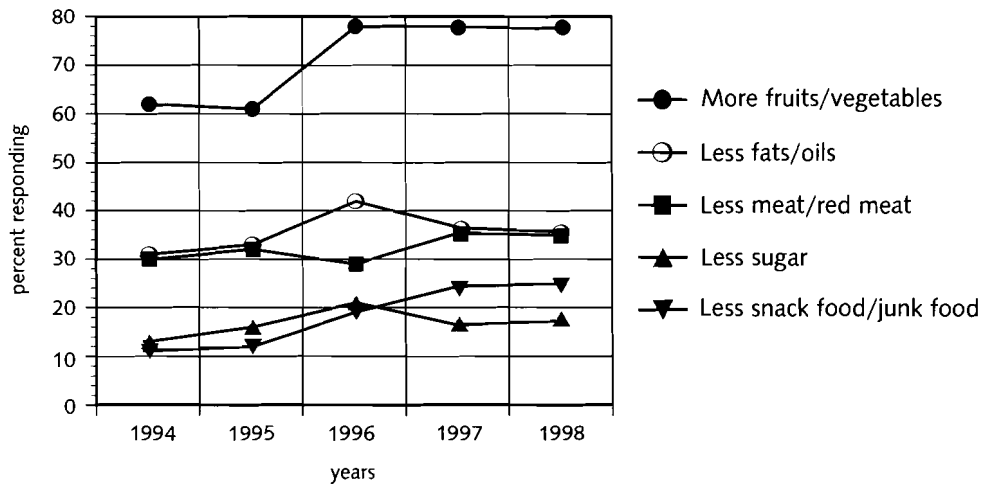
	\$ Per Capita		\$ Per Household	
1980	14,813	} <u>Growth</u> +29.3%	41,761	} <u>Growth</u> +21.6%
1985	16,597		45,612	
1990	17,941		48,042	
1995	18,757		49,850	
1996	19,158		50,768	

Source: U.S. Bureau of Census, *Statistical Abstract of the U.S., 1997*.

- Real disposable income, adjusted for inflation, has risen over the past 16 years, both for households and for individuals.
- Income increases nearly always promote increased purchases of all goods and services, including fresh produce.
- This trend particularly favors fresh food and produce which are nearly always more expensive than their processed counterparts.



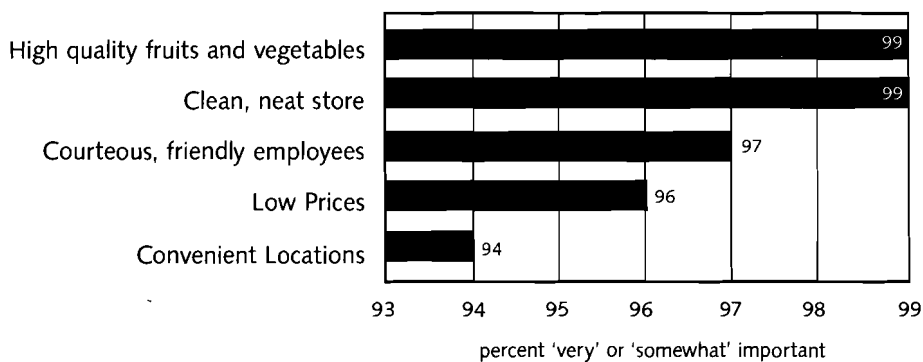
Steps Shoppers are Taking Toward Healthier Diets



Source: Food Marketing Institute, *Trends in the U.S.: Consumer Attitudes and the Supermarket, 1998*.

- Among many dietary changes reported by the Food Marketing Institute in its annual consumer survey is the greater prominence of fresh produce.
- When asked what dietary changes they have made over the last year, nearly twice as many consumers responded that they have attempted to eat more fruits and vegetables than the second most frequent response.
- This latter trend has held true for seven consecutive years.

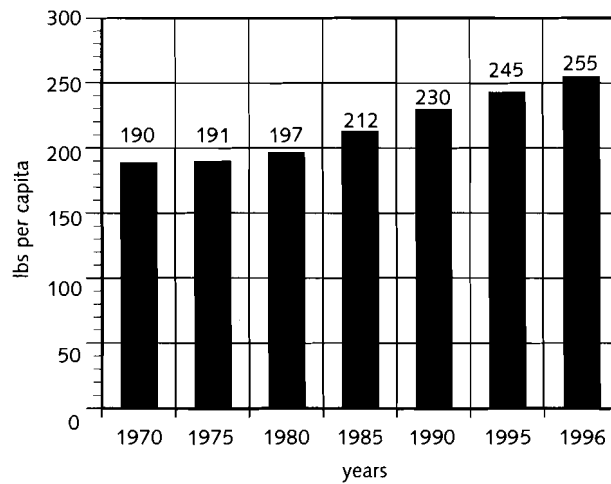
Important Attributes in Choosing a Supermarket, 1997



Source: Food Marketing Institute, *Trends in the U.S.: Consumer Attitudes and the Supermarket 1996, 1997*

- Produce plays a prominent role in determining store choice.
- When shoppers were asked to list the criteria most important in selecting a supermarket, “high quality fruits and vegetables” has been at the top of the list of over 25 items for over 6 years in a row.

Fresh Fruit and Vegetable per Capita Consumption, 1970–1996



Source: USDA, ERS, *Vegetable Yearbook*, 1970–1997 and *Fruit and Nut Yearbook*, 1970–1997

- Demographic and lifestyle changes have led to quantifiable consumption increases.
- On a per capita basis, fresh fruit and vegetable consumption has continued to grow for over 25 years consecutively.

Supermarket Sales Distribution, 1997

Major Department	Sales
	(%)
Perishables	50.51
Misc. grocery	9.48
Beverages	9.77
Non-edible grocery	9.12
Snacks	5.60
Entrees	4.85
Health and beauty care	4.04
General merchandise	3.94
Other	2.69
Total	100%

Source: "How \$100 is Spent," *Progressive Grocer*, July 1998

- The data show that the traditional name of the traditional retail outlet for food—the grocery store— has become outmoded. Beginning in 1996, the majority (51%) of all sales in the contemporary supermarket are fresh foods, a growing share of which is fresh produce.

Supermarket Sales Distribution: Past, Present and Future

	1967 ¹	1989 ²	1996 ²	2003 ³
	(%)	(%)	(%)	(%)
Meat	24.1	15.5	13.5	11.6
Dairy	11.1	6.2	6.1	6.1
Produce	7.6	9.1	10.9	12.8
Deli	—	4.3	6.6	7.9
Bakery	—	2.6	3.6	4.0
Seafood	—	1.1	1.1	1.6
Frozen	4.3	5.4	5.4	5.9
Dry grocery	34.5	27.0	26.4	23.3
GM/HBC/Other	18.9	28.8	23.4	26.8
Total	100%	100%	100%	100%

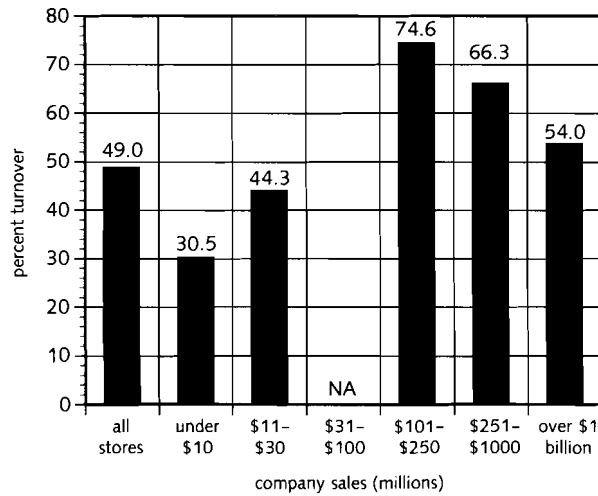
¹Chain Store Age, 1968

²Supermarket Business, September 1990, 1997

³Cornell Food Executive Program projections, 1998

- Consumers' new preferences for fresh foods, especially fresh produce, are documented in retail sales.
- Trade data provide evidence that the produce department share of total store sales has grown from 7.6 percent of total in 1967 to 10.9 percent of total in 1996, despite an expanded selection of non-foods and general merchandise in the supermarket.
- Moreover, in an independent study conducted annually by Cornell University, a wide sample of food industry executives project fresh produce distribution to reach nearly 13 percent of the store total by the year 2003.

Supermarket Employee Turnover, by Firm Size



Source: Food Marketing Institute, *The Food Industry Speaks: 1996*.

- According to the Food Marketing Institute's *The Food Industry Speaks*, in the overall supermarket industry, nearly 50 percent of all employees turnover each year.
- Turnover is a more serious problem in large companies: in companies with annual revenues over \$100 million, employee turnover averages nearly 65 percent.

Selected Employee Statistics, Overall Supermarket¹ and Produce Department², 1997

	FTE Employees	Percent Full-Time	Sales/Labor Hour	Employee Turnover
	#	(%)	\$	(%)
Store ¹	64.0	40.1	110.32	49
Produce Dept. ²	5.0	56.6	123.13	27

Sources: ¹Food Marketing Institute, *Speaks Detailed Tabulations, 1997*, ²*Progressive Grocer*, "1997 Produce Annual Report," October 1997.

- The produce department employs a greater percent of full-time vs part-time employees when compared to the supermarket store as a whole—roughly 57 percent as opposed to 40 percent..
- One key productivity measure—sales per labor hour—is higher in produce (\$123.13) than in the store as a whole (\$110.32).
- Overall, employee turnover in the produce department is considerably lower than the store average—27 percent vs 49 percent.

Part 3: FreshTrack Benchmarks

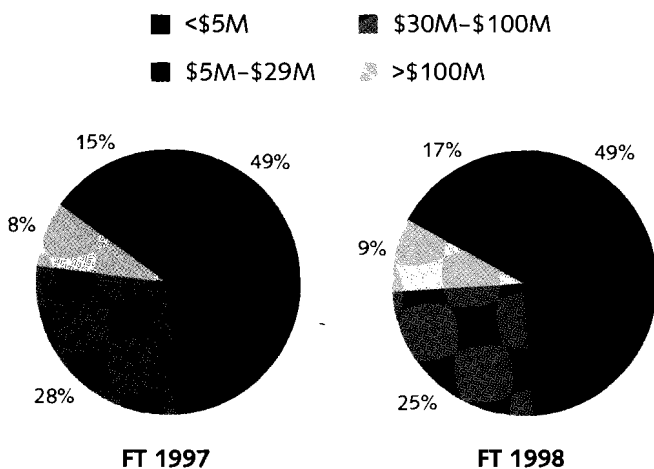
One of the principal objectives of the *FreshTrack* project is to monitor a set of marketing and performance measures for the fresh produce industry on a regular, annual basis. In 1997, the first year of the *FreshTrack* study, this series of benchmarks was established and documented for the first time.

In 1998, many of the same benchmark criteria were again measured. This section of the report compares the changes between the two years. Some of the differences between the two years can certainly be attributed to industry shifts and to the continuing evolution of operational and marketing trends in the produce system. At the same time, it is important to note that certain other differences may result from the differences in the two samples, as noted in the methodology. Although both samples are large and robust, the individual firm respondents were not identical over the two years.

Grower/Shipper Benchmarks

Respondent Profile

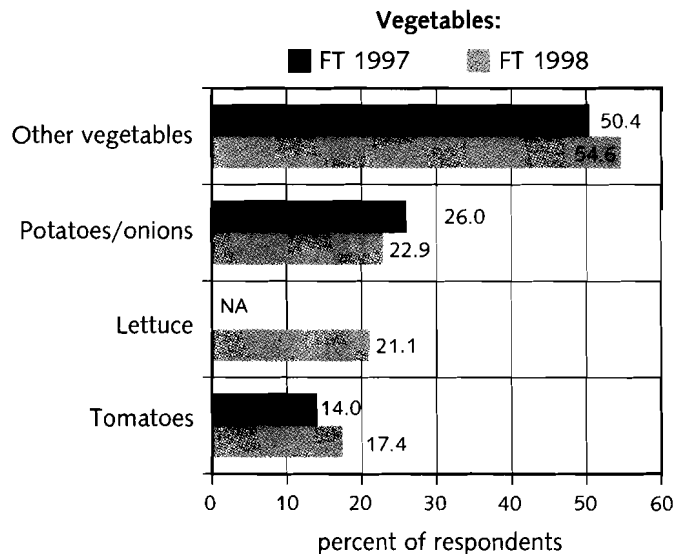
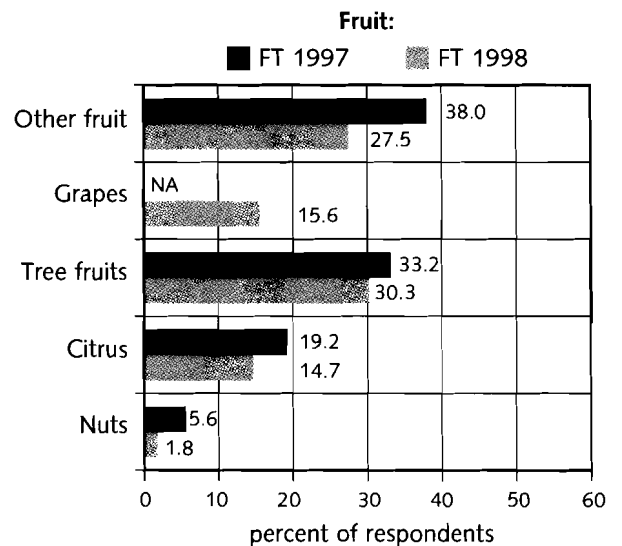
Percent of Grower/Shipper Respondents by Firm Size



- Grower/shipper respondents in 1998 matched company size profile from 1997 *FreshTrack* respondents.
- In 1998, 17 percent of respondents report company sales below \$5 million, and almost one-half (49%) had annual company sales of \$5-\$29 million. Of the remainder, 25 percent report sales between \$30 and \$100 million and 9 percent over \$100 million.

Sales and Products

Commodities Sold by Grower/Shippers, Percent of Respondents

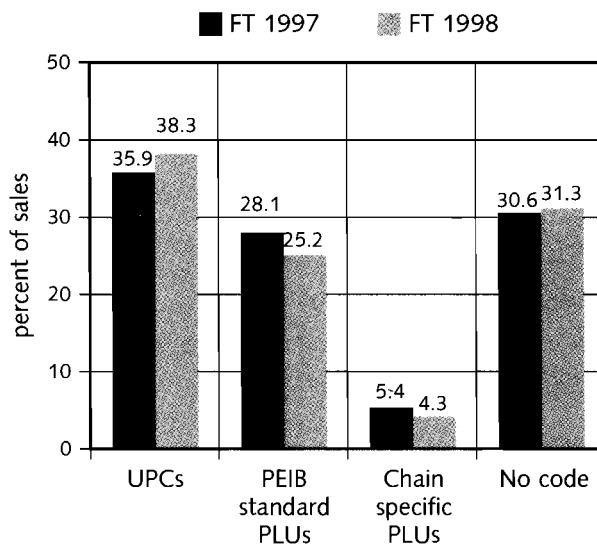




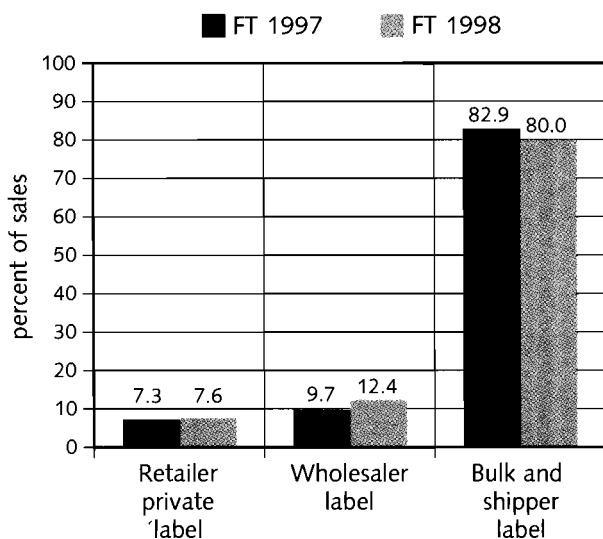
- The respondent profile comparing commodities carried by firms in 1998 and 1997 are well matched. Two commodities further separated out in 1998 but not in 1997 due to the importance and size of the crops are grapes and lettuce.
- In 1998, 54.6 percent of respondents carried “other vegetables” than those listed separately in the survey; 22.9 percent carried potatoes and/or onions; 21 percent lettuce; and 17.4 percent tomatoes.
- In addition, 27.5 percent carried “other fruit” than those listed separately; 30.3 percent carried tree fruits; 15.6 percent grapes; 14.7 citrus; and 1.8 percent nuts.
- The relatively large change in “other fruit” was likely due to the addition of “grapes” as a separate entry choice. Last year, respondents who produced grapes were forced to choose “other fruits,” whereas this year, respondents could select “grapes” as a separate option.

labeled. In *FreshTrack 1998*, 12.4 percent of shipments were shipped under wholesaler private label with the remainder either shipper label or bulk produce.

Grower/Shipper Sales by Price Codes



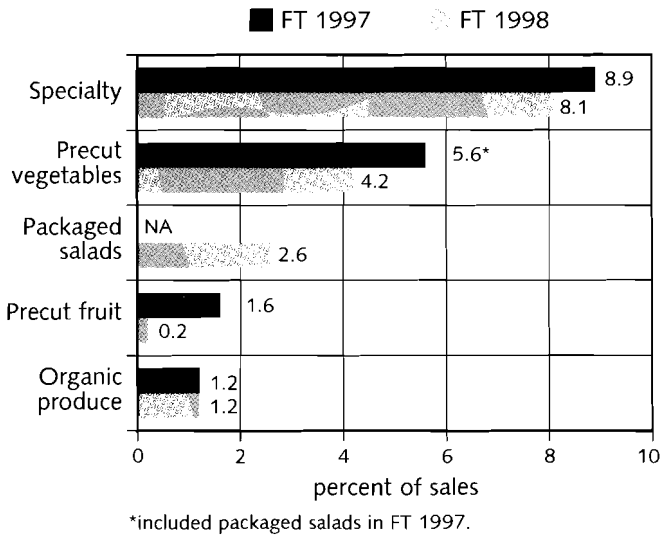
Grower/Shipper Sales by Label Type



- Only 31.3 percent of produce from grower/shippers is sold without a code, whether UPC, PEIB (Produce Electronic Identification Board) PLU, or chain specific PLU. Almost 40 percent of grower/shippers’ produce sales are UPC coded, a modest increase from 1997, and just over 25 percent are coded with PEIB PLUs. Only four percent are coded with chain specific PLUs.

- Sales of product labeled with retailer private labels or with wholesaler labels continue to look similar to last year’s *FreshTrack 1997* (FT 1997). In both years, just over 7 percent of grower/shipper sales were shipped as retailer private

Grower/Shipper Sales of Non-Traditional Produce

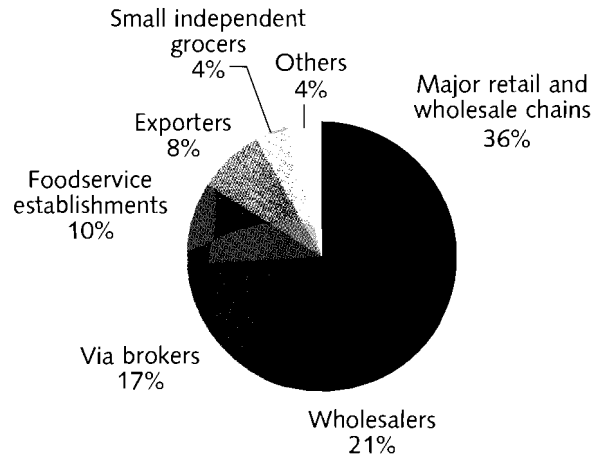


- Grower/shippers report selling a total of 16.3 percent of their produce sales as non-traditional produce items including specialty produce, precut vegetables, packaged salads, precut fruit and organic produce. Packaged salads were not included as a separate item in the 1997 survey.
- Eight percent of total produce sales was for specialty produce. Four percent was precut vegetables and 2.6 percent packaged salads, while a small portion, only 0.2 percent, was precut fruit.
- Organic produce held stable from 1997 to 1998, at 1.2 percent of produce sales.

- Specialty produce, the largest segment of the non-traditional produce items, is especially important to smaller grower/shippers with annual sales under \$5 million.

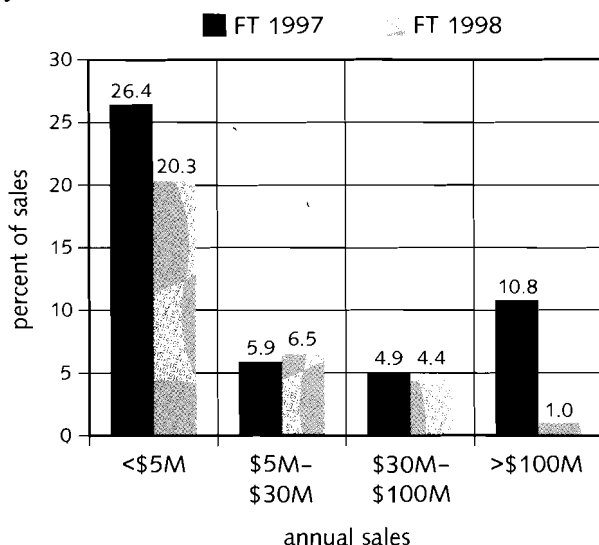
Customers

Grower/Shipper Customer Types, 1998

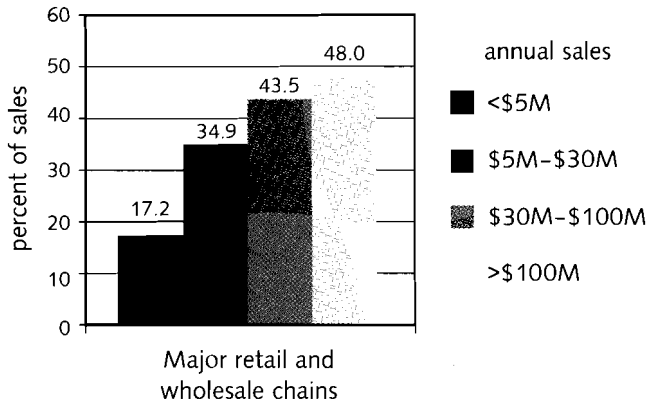


- Newly reported in 1998, grower/shippers report their various customers and the portion of sales they represent. Major retail and wholesale chains constitute grower/shippers' largest customer type and account for 36 percent of produce sales. An additional 17 percent of produce sales are sold through brokers, the majority of which likely move directly to major retail and wholesale chains.
- Wholesalers other than brokers take 21 percent of grower/shippers' sales.
- The remaining one-fourth of grower/shipper sales are to: foodservice operators (10%); export markets (8%); small, independent grocers (4%); and "others" (4%).

Grower/Shipper Sales of Specialty Produce, by Firm Size

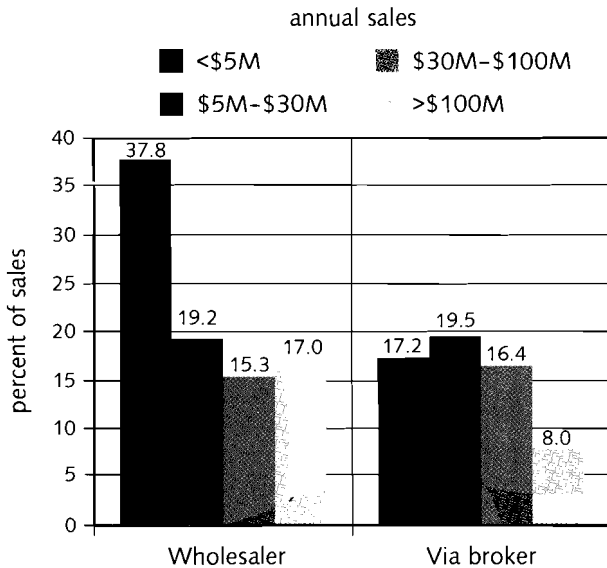


Sales to Retail Customers, by Firm Size



- Large grower/shippers report a greater proportion of their sales moving directly to major retail and wholesale chains. Respondents whose annual sales are over \$100 million sell 48.0 percent of their produce directly to retailers while small grower/shippers whose annual sales are less than \$5 million sell only 17.2 percent directly to retailers.

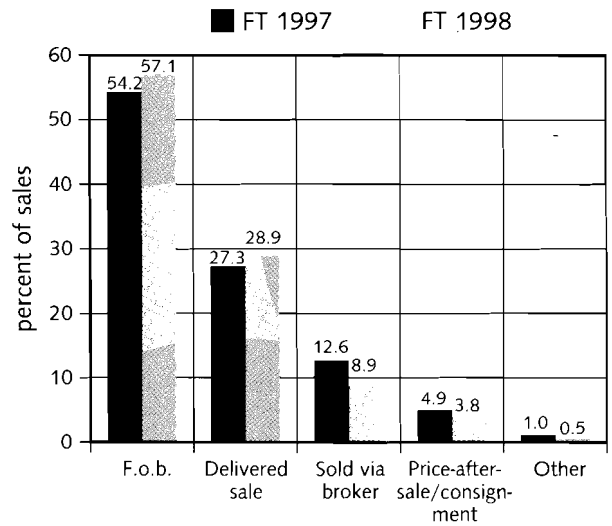
Sales to Wholesale and Broker Customers, by Firm Size



- In contrast, smaller companies report a greater proportion of sales moving through wholesalers. Small grower/shippers (annual sales less than \$5 million) sell thirty-eight percent of their produce to wholesalers and an additional 17.2 percent through brokers.

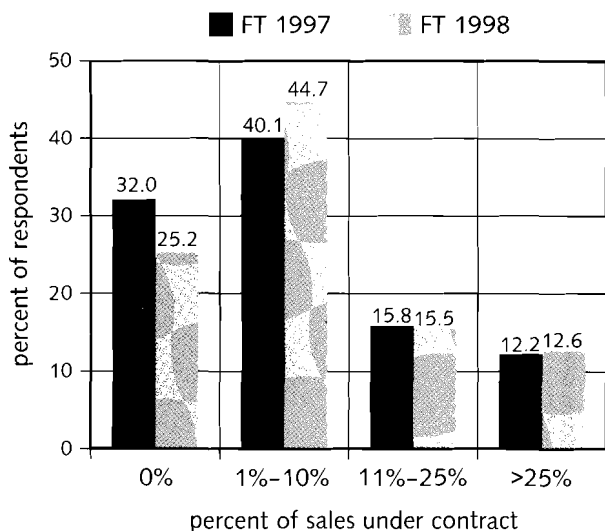
Operations

Grower/Shippers' Terms of Sale



- Terms of sale used by grower/shippers remain similar to *FreshTrack* 1997 reports. Fifty-seven percent of sales are f.o.b. with 28.9 percent delivered sales. Broker fees are used for 9 percent of sales and price deferred methods (consignment or price-after-sale) are only employed for 3.8 percent of produce sales.

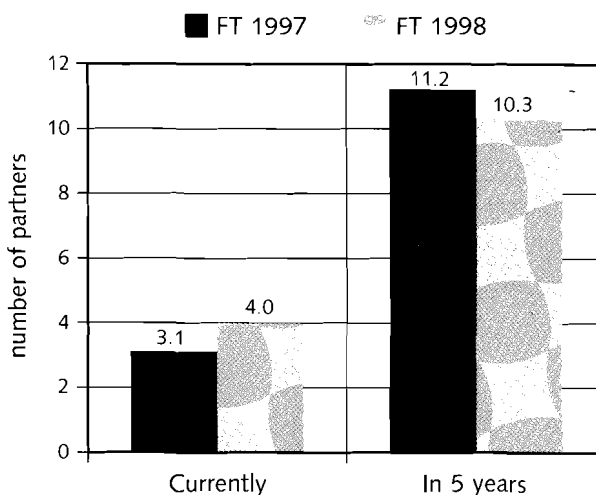
Grower/Shippers Using Contracts for Some Portion of Sales



- Contracts may be growing in the industry, but grower/shippers still approach them with caution. The portion of grower/shippers using contracts for a significant portion of their sales, over 11 percent, remains the same as reported in *FreshTrack 1997*. A slight increase in those accepting contracts for a minor percentage of their sales, up to 10 percent, may be observed.

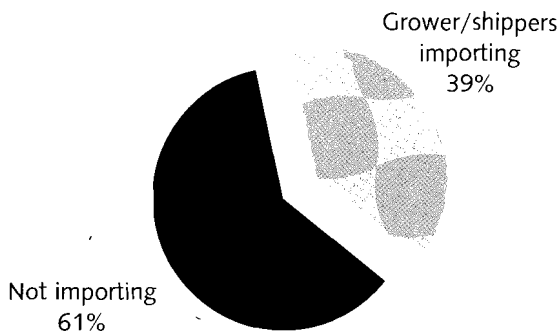
- Almost 40 percent of grower/shippers indicate they import fresh produce items. Among these importers, 24.5 percent of their sales are from these imported items.
- A significant portion of these imports, 24 percent of total imported sales, are from U.S. owned or controlled land overseas and therefore another form of U.S. production.

Comparison of Grower/Shipper Customer Partnerships, 1997 vs. 1998



- Grower/shippers are still cautious about partnership arrangements with customers. In *FreshTrack 1997*, grower/shippers reported having 3.1 current partnerships with customers and 11.2 partnerships expected in 5 years by 2002.
- The response in *FreshTrack 1998* is similar with very few, only 4.0, partnerships currently operating between grower/shippers and their customers and only 10.3 expected by 2003, five years away.

Grower/Shipper Imports, 1998



Grower/Shipper Use of EDI with Customers

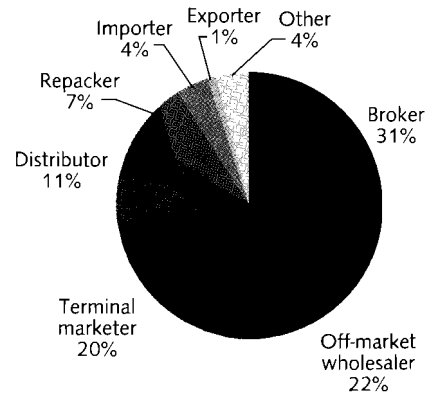
	% of Customers	% of Volume
<i>FreshTrack 1997:</i>		
1997	2.4	3.7
2002	28.0	37.6
<i>FreshTrack 1998:</i>		
1998	2.3	4.7
2003	25.5	36.6

- In 1998, Electronic Data Interchange (EDI) is being used by grower/shippers with 2.3 percent of their customers who represent 4.7 percent of sales volume. By 2003, grower/shippers expect EDI use to increase to 25.5 percent of their customers representing 36.6 percent of their volume. Current and predicted use of EDI has not changed appreciably from reports from *FreshTrack 1997*.

Wholesaler Benchmarks

Respondent Profile

Wholesaler Respondent Business Type, 1998



- Terminal market and “off-market” wholesalers combined returned 42 percent of the 1998 *FreshTrack* wholesaler surveys. Thirty-one percent of respondents were brokers, while the remainder were: distributors (11%); repackers (7%); importers (4%); exporters (1%); and others (4%).

Legal Business Forms of U.S. Fresh Produce Wholesalers

	Proprietorship	Partnership	Corporation	Cooperative	Other
1977	22.1	5.6	64.4	4.8	0.1
1982	17.6	6.5	73.4	2.2	0.2
1987	15.4	5.7	76.7	2.1	0.1
1992	15.1	4.3	78.9	1.7	0.0
1997 ¹	7.3	6.7	82.9	1.0	2.1
1998 ²	5.2	11.5	83.3	0.0	0.0

¹ *FreshTrack 1997*

² *FreshTrack 1998*

Source: Compiled from U.S. Bureau of Census, U.S. Census of Business, Wholesale Trade, 1977-1992.

- In 1998, the majority of wholesale companies operate corporations as their legal business form. Eighty-two percent of respondents are incorporated, with 5.2 percent operating as single proprietorships and 11.5 percent as partnerships.

Wholesaler Sales and Product Mix

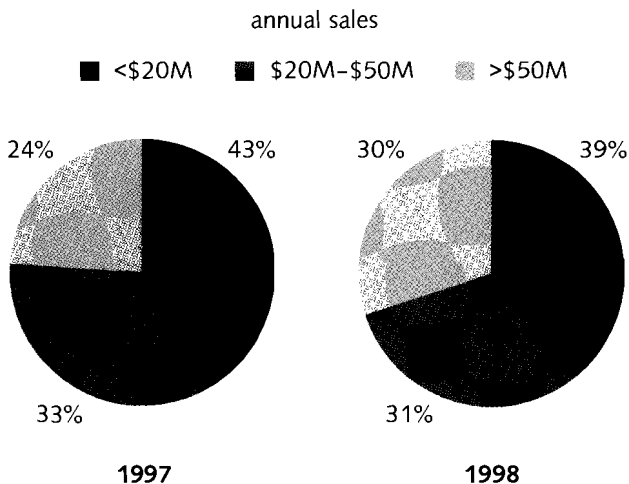
Wholesaler Respondents' Financial Information

	<i>FreshTrack 1997</i>	<i>FreshTrack 1998</i>
Average company sales	\$98.8 million	\$94.5 million
(median company sales)	(\$22.0 million)	(\$23.3 million)
Average produce sales	\$41.6 million	\$31.8 million
Produce sales as percent of company sales	88.5 % ¹	79.7 %
Gross margin	15.0 %	12.1 %

¹ recalculated from 1997 as average of company responses, non-weighted average

- The *FreshTrack 1998* respondent sales profile is analogous to last year's *FreshTrack 1997*. Average company sales in 1998 are \$94.5 million, while average produce sales per respondent are \$31.8 million.
- Although average respondent sales are \$94.5 million, the median company sales are \$23.3 million indicating that reported sales are skewed. Fifty percent of most produce wholesalers operate at or below this median. The average sales is "skewed" higher due to a few wholesalers with much greater sales.
- Produce sales as a percent of company sales averaged across companies in 1998 are 79.7 percent. This is a non-weighted average. The average gross margin for produce sales is 12.1 percent.

Wholesaler Respondents' Sales, by Firm Size



- In 1998, 39 percent of *FreshTrack* wholesaler respondents had company sales of less than \$20 million while 31 percent had sales of \$20-\$50 million. The remainder, 30 percent had company sales of over \$50 million.



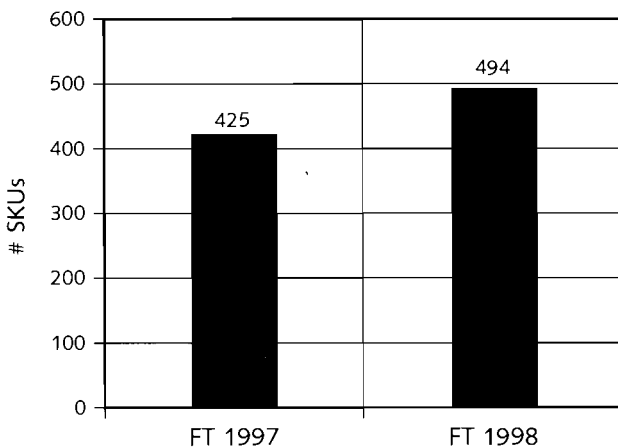
Wholesaler Respondents' Produce Sales and Gross Margin, by Firm Size

Firm Size	% Produce Sales		% Gross Margin	
	1997	1998	1997	1998
All respondents	88.5 ¹	79.7	15.0	12.1
<\$20 million	95.0	95.0	12.5	10.7
\$20-\$50 million	92.6	84.8	17.1	16.2
>\$50 million	32.2	57.9	12.7	10.5

¹ recalculated from 1997 as average of company responses, non-weighted average

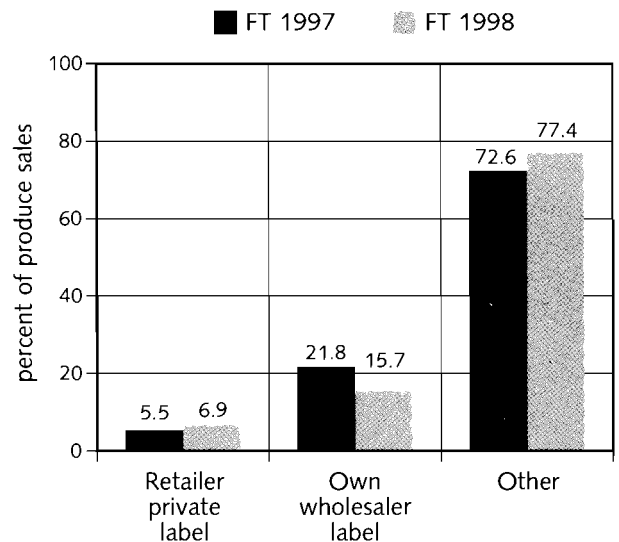
- In 1998, small wholesalers (sales less than \$20 million) again report that produce accounts for 95.0 percent of total company sales. As company size increases produce sales become less important compared to total company sales. The largest wholesalers report produce sales account for only 57.9 percent of total company sales.
- Wholesalers report smaller gross margins in 1998, but the 1997 trend which showed mid-sized wholesalers reporting largest gross margins was again observed in 1998.

Number of Products Carried by Wholesalers, SKUs



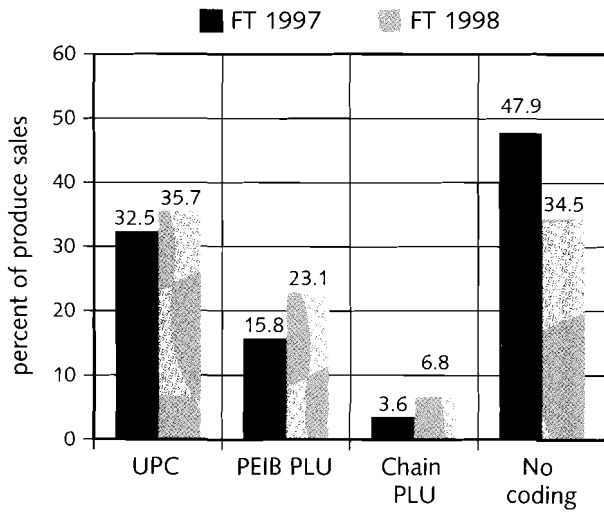
- *FreshTrack* respondents in 1997 reported an average of 425 SKUs sold per firm. In *FreshTrack* 1998, respondents report carrying an average of 494 SKUs

Wholesaler Sales by Label Type

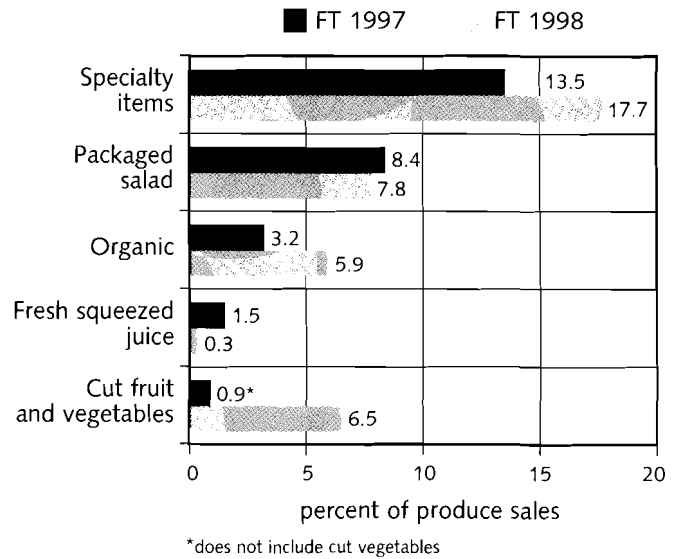


- In total, in 1998, wholesaler respondents report 77.4 percent of their produce sales are sold with either a shipper label or are unlabeled.
- In *FreshTrack* 1997, wholesalers sold, on average, 21.8 percent of produce sales with their own wholesaler label. In *FreshTrack* 1998, 15.7 percent are "own label" sales.
- In addition, 6.9 percent of produce sales are sold with a retail private label in 1998 as compared to 5.5 percent in *FreshTrack* 1997.
- Currently, companies with sales less than \$20 million sell a greater proportion of their sales as retail private label produce (10.4%) than do the medium and large companies whose private label sales are 5.6 percent and 1.2 percent respectively.

Wholesaler Sales by Code Type



Wholesaler Sales of Non-Traditional Produce Items

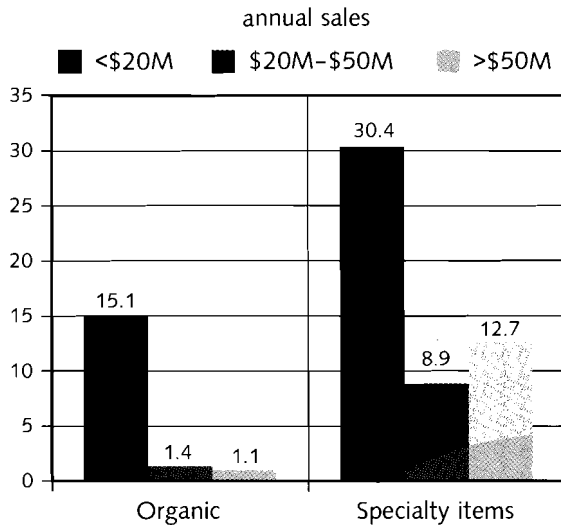


- According to respondents, produce sales which are coded by any means has increased significantly from 51.9 percent in *FreshTrack* 1997 to 65.6 percent in *FreshTrack* 1998. UPC coded sales which were 32.5 percent previously are 35.7 percent currently; PEIB PLU sales are reported in 1998 as 23.1 percent; and chain specific PLU coded sales are 6.8 percent of wholesaler respondent sales.
- In *FreshTrack* 1998, coded sales are slightly higher in medium and large companies than in companies with sales less than \$20 million. Produce sales with no coding amounted to 43.7 percent of sales of small companies but 25.3 percent and 25.0 percent of sales of medium and large companies respectively.

- Sales of non-traditional produce items reported in *FreshTrack* 1998 include specialty produce, packaged salads, organic produce, fresh squeezed juice, and cut fruit and vegetables. In total, non-traditional produce items in 1998 represent 38.2 percent of wholesaler produce sales.
- The most significant of these non-traditional items is specialty produce which constitutes 17.7 percent of produce sales. Packaged salads are 7.8 percent of produce sales while organic, juice, and cut fruit and vegetables each account for 5.9, 0.3, and 6.5 percent of sales respectively.
- Although sales of cut fruit and vegetables appears to have increased from *FreshTrack* 1997, cut vegetables were not included then and only added in the current year.

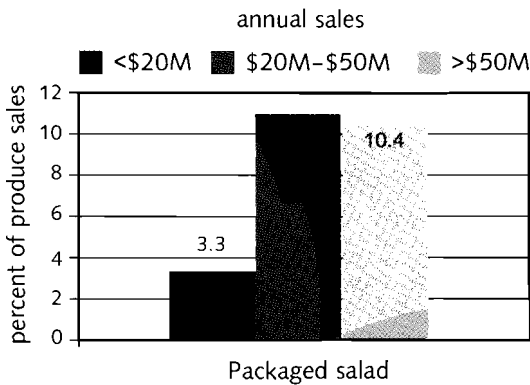


Wholesaler Sales of Specialty and Organic, by Firm Size



- Specialty and organic items are important for small wholesalers who tend to specialize, and they constitute 30.4 and 15.1 percent of small wholesaler produce sales respectively.

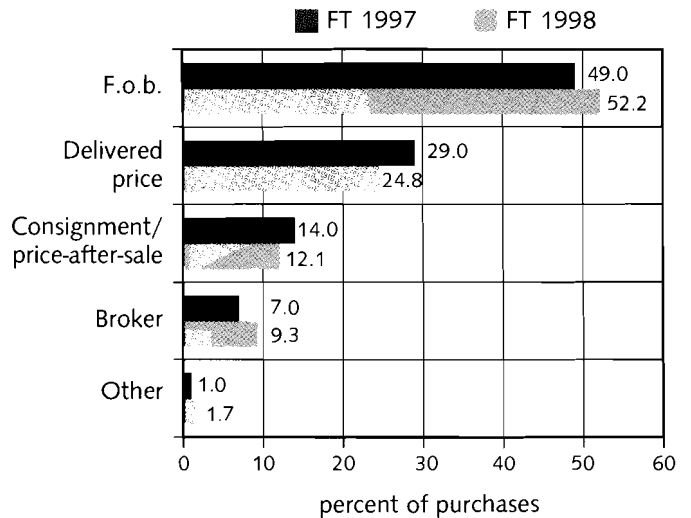
Wholesaler Sales of Packaged Salads, by Firm Size



- Packaged salads are 10.9 and 10.4 percent of sales for medium and large wholesalers who sell more packaged salads than do small wholesalers.

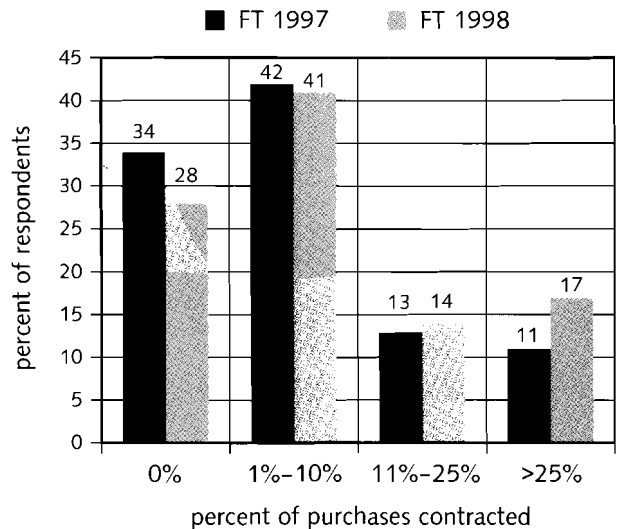
Operations

Wholesalers' Terms of Purchase



- Terms of sale remain unchanged between 1997 and 1998 with f.o.b. being used for the majority (52.2%) of wholesaler produce purchases.
- Delivered price terms account for 24.8 percent, price deferred terms including consignment and price-after-sale for 12.1 percent, and broker transactions for 9.3 percent.

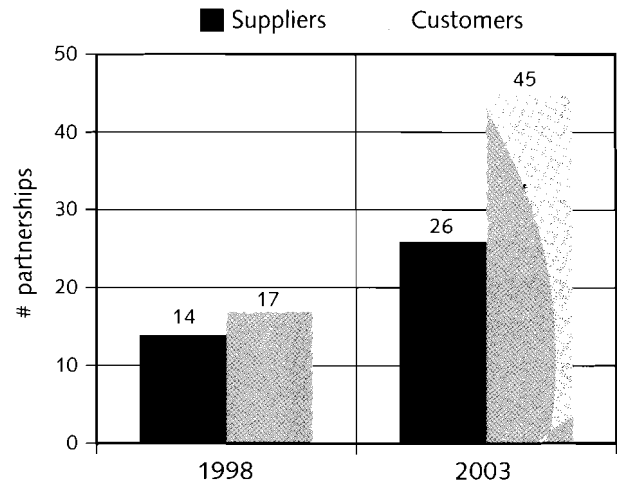
Wholesalers Using Contracts for Some Portion of Purchases



- Respondents' contracting activities with suppliers indicate cautious growth between 1997 and 1998. Wholesalers were asked to report the extent to which they used contracting with suppliers: 0 percent of their purchases; 1 to 10 percent; 11 to 25 percent; or more than 25 percent of their produce purchases. On average, 17 percent of wholesalers report they use contract pricing for more than 25 percent of their purchases. This is up from 11 percent in *FreshTrack 1997*.
- At the same time, 28 percent do not use contracts at all, while 41 percent use them for 1 to 10 percent of purchases, and 14 percent use them for 11 to 25 percent of purchases.

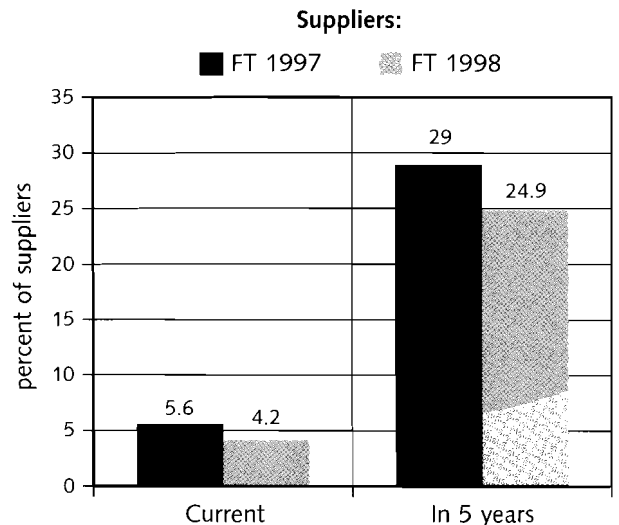
- By 2003, in 5 years, current respondents anticipate having significantly more partnerships, 71, a sizeable increase over the current number.
- All wholesaler firm sizes report an increase in the number of partnership arrangements.

Wholesaler Partnerships, Suppliers vs. Customers, 1998

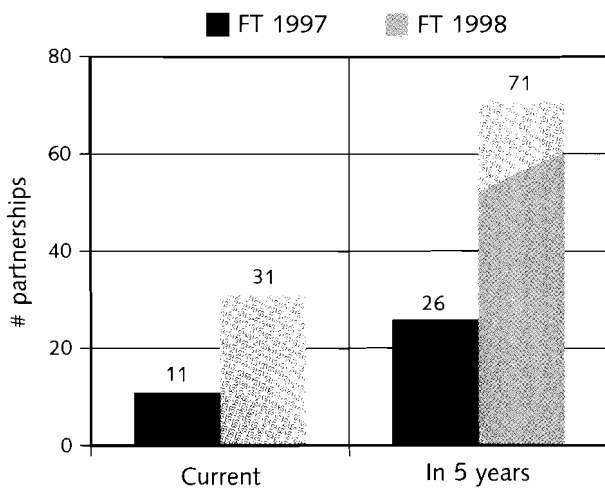


- Wholesalers report having more partnerships with their customers than their suppliers. They predict this differential to be even greater in 5 years by the year 2003.

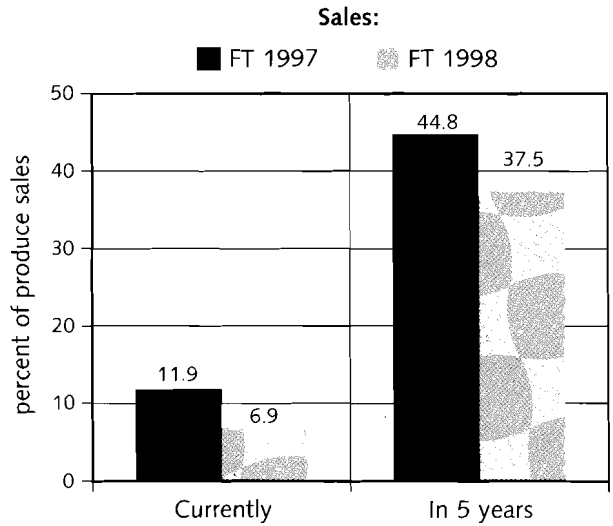
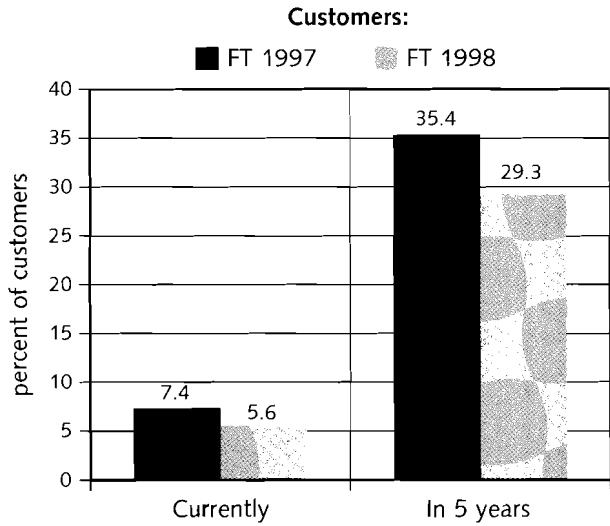
Wholesalers Use of EDI with Suppliers and Customers, 1997 vs. 1998



Wholesalers' Current and Future Use of Partnerships, 1997 vs. 1998



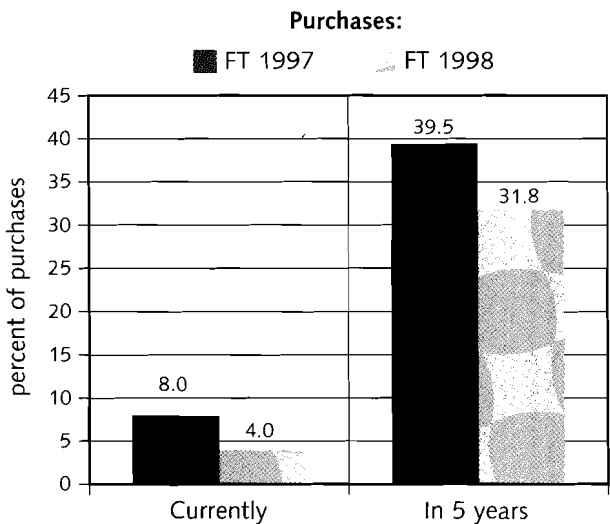
- Wholesalers indicate they currently have an average of 31 partnerships which include both customers and suppliers. This number is more than double the number reported last year and, in fact, is even more than the total number of partnerships last year's respondents predicted they would have by the year 2002.



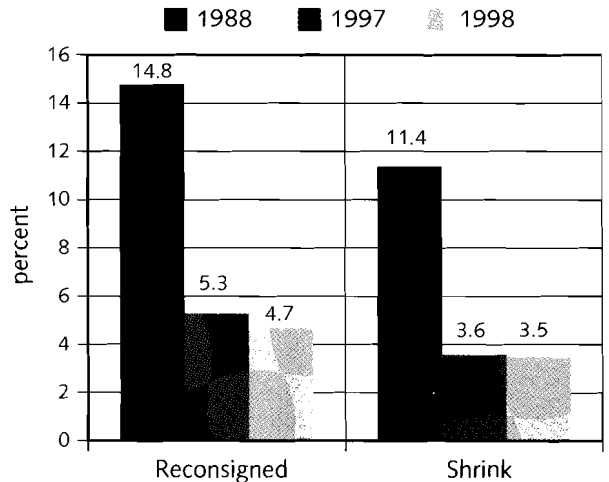
- Evidently, increases in the number of partnership arrangements with suppliers and customers have not included the use of Electronic Data Interchange (EDI). Respondents in 1998 report no increase in their use of EDI with either their suppliers or customers since *FreshTrack 1997*. In addition, while they do predict an increase in the use of EDI within 5 years, they are slightly more pessimistic about this increase than they were a year ago.

- Wholesalers also report the percent of produce purchases and sales volumes facilitated by EDI. In both 1997 and 1998, the percentage of produce volumes moved currently using EDI was slightly higher than the percentage of firms. This indicates that EDI is being used with larger than average firms.

Wholesalers Use of EDI by Percent of Purchases and Sales, 1997 vs. 1998



Wholesaler Reconsignment and Shrink

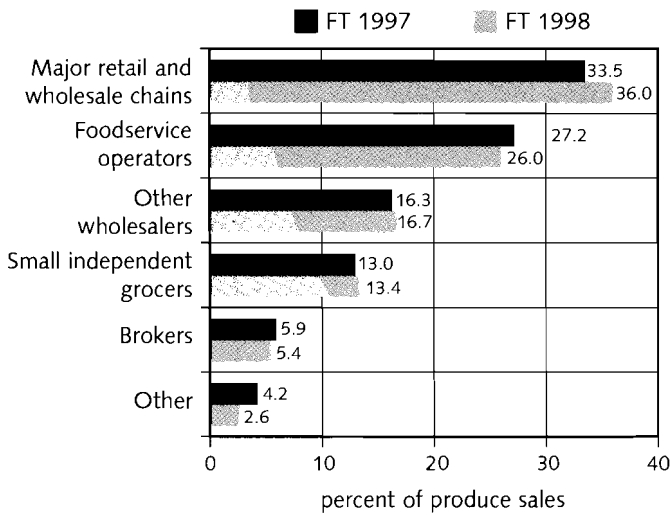


- In *FreshTrack 1998*, wholesalers were asked to report percent of arrivals reconsigned currently, in 1998, and ten years ago, in 1988. In 1988 almost 15 percent of arrivals at the wholesalers' docks were reconsigned. Currently, in 1998, less than five percent are reconsigned. Last year's *FreshTrack 1997* reported reconsignment rates of 5.3 percent.

- Similarly, percent shrink has also been reduced significantly from ten years ago. In 1988, percent shrink was just over 11 percent of sales, where in 1998 it is 3.5 percent. Last year's *FreshTrack 1997* reported shrink at 3.6 percent of sales.

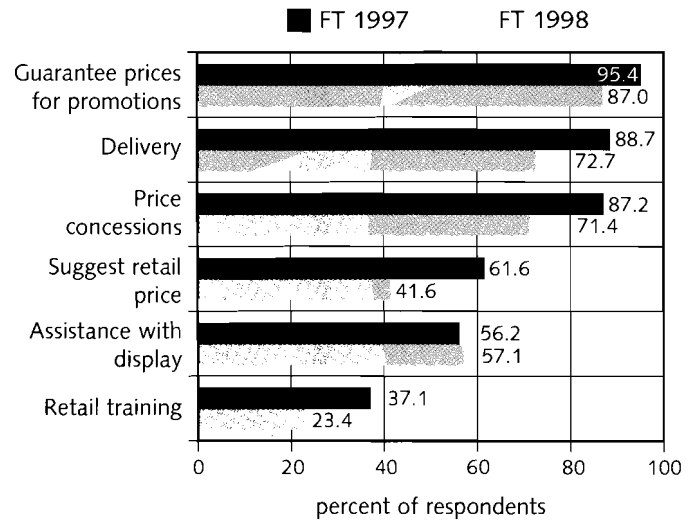
Customers and Suppliers

Wholesalers' Customer Types



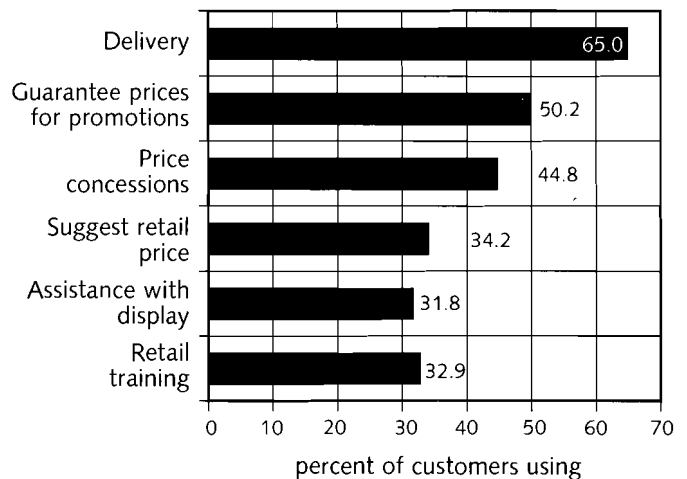
- The proportion of wholesaler produce sales to various customer types remains unchanged. Major retail and wholesaler chains remain the largest customers of wholesalers. In *FreshTrack 1998*, together they account for 36.0 percent of wholesalers' produce sales. Foodservice operators continue to be significant customers and are responsible for 26.0 percent of wholesaler produce sales. Other wholesalers and small independent grocers each account for 16.7 and 13.4 percent of sales respectively, while brokers and "other" customers account for a combined 8.0 percent.
- This customer breakdown does not vary significantly by size of wholesaler.

Customer Services Offered by Wholesalers



- Of those services listed in the *FreshTrack* survey, guaranteeing prices for promotions is reported as the service most frequently offered (87.0%) by wholesalers. Delivery and price concessions for promotions are offered by 72.7 and 71.4 percent of respondents respectively. Suggesting retail pricing is provided by 41.6 percent and assistance with displays is being offered by 57.1 percent. Retail training is offered by relatively few wholesalers, 23.4 percent.

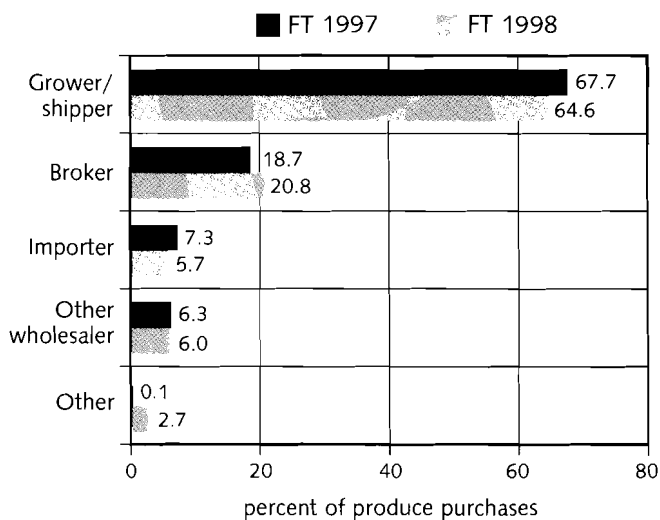
Wholesaler Services Used by Customers



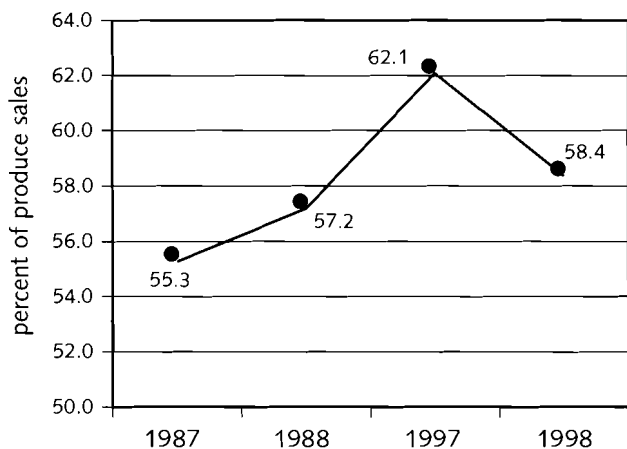


- The services offered by most wholesaler are also the services used by most customers. Guaranteeing prices for promotions and providing delivery are the leading two services offered by wholesalers. In addition, they are also the services that customers use the most. Delivery, offered by 72.7 percent of study respondents, is used by 65.0 percent of those wholesalers' customers, and guaranteeing prices for promotions while offered by 95.4 percent of wholesalers is actually used by 50.2 percent of those wholesalers' customers.
- Assistance with displays and retail training which are offered by fewer respondents than any other services listed, are used by 31.8 and 32.9 respectively of those wholesalers' customers.

Wholesalers' Suppliers



Wholesaler Produce Sales Delivered



- Grower/shippers continue to supply approximately three-quarters of wholesalers' produce purchases. In addition, respondents use brokers for 20.8 percent of purchases, importers for 5.7 percent and other wholesalers for 6.0 percent.

- Wholesalers report that delivery as a percent of produce sales has increased from its level ten years ago. In *FreshTrack 1997*, wholesalers reported 62.1 percent of sales were delivered compared to 55.3 percent ten years previously. In *FreshTrack 1998*, wholesalers report that 58.4 percent of sales are delivered compared to 57.2 percent ten years ago.

Retailer Benchmarks

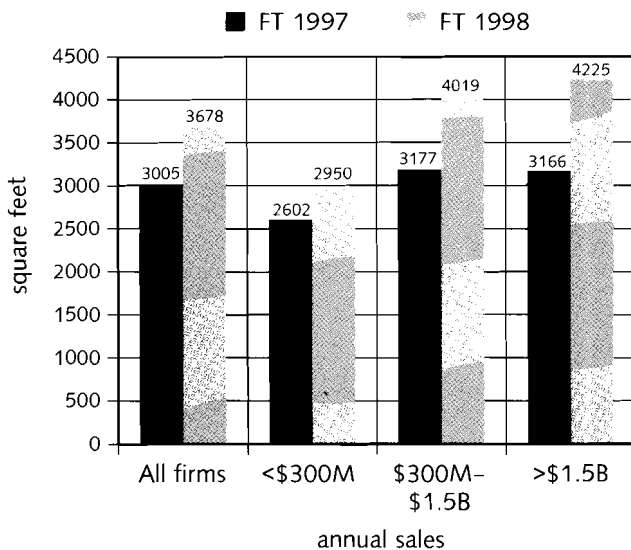
Produce Department Profile

Financial Profile of the Retail Produce Department

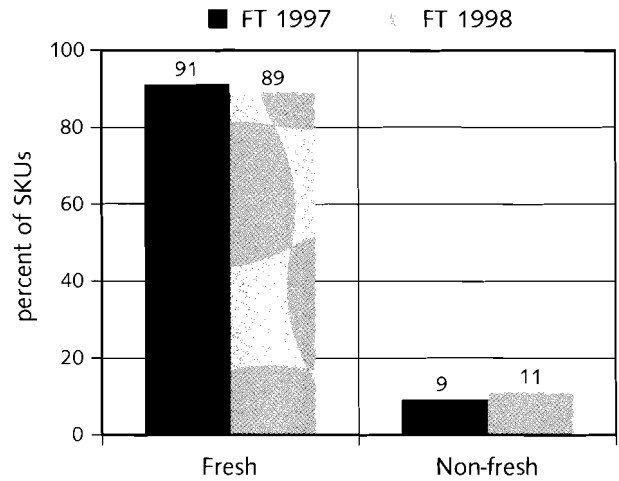
	1997	1998
Company produce sales	\$149.1 million	\$147.9 million
Produce's share of company sales	7.2%	9.5%
Produce's share of company profits	17.2%	17.2%
Average produce gross margin	32.4%	33.2%

- The average produce sales of retailers participating in *FreshTrack 1998* was quite similar to 1997. This average represented a slightly greater proportion of overall company sales than in 1997.
- Gross margins were slightly up, and produce's share of profits was a flat, but still impressive, 17 percent.

Department Size



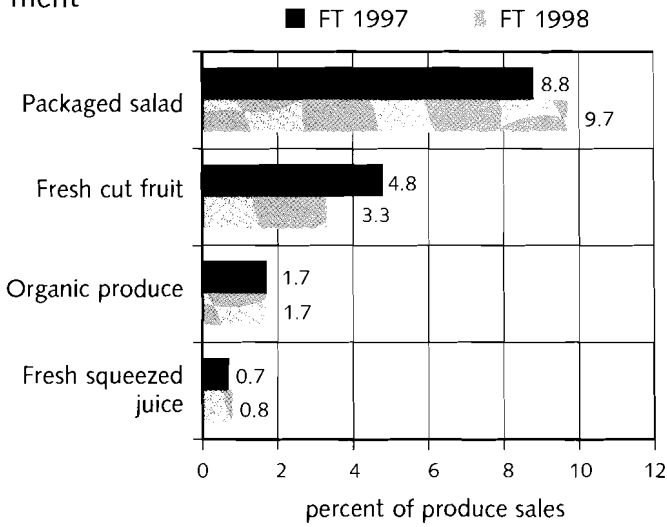
Product Composition in the Supermarket Produce Department



- Fresh produce continues to dominate the produce department.

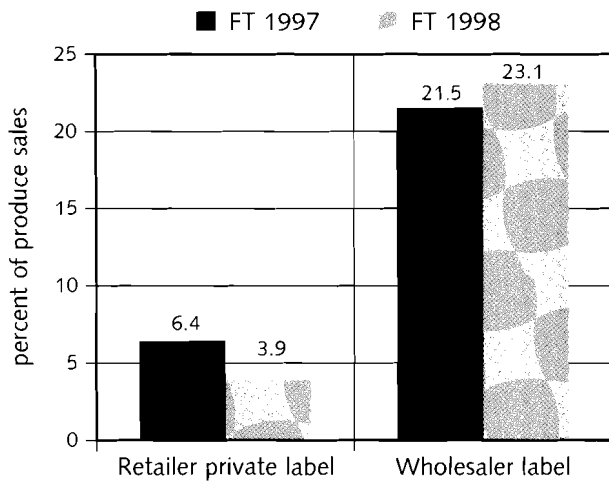
- For all supermarket retail firms, regardless of firm size, supermarkets' produce departments continue to increase in size.
- Between 1997 and 1998, large supermarket companies (annual sales > \$1.5B) grew the most—a 33% increase in size.

Non-Traditional Items in the Produce Department



- In the supermarket industry, there has been growth in packaged salads and a slight decline in fresh cut fruit over the past year.

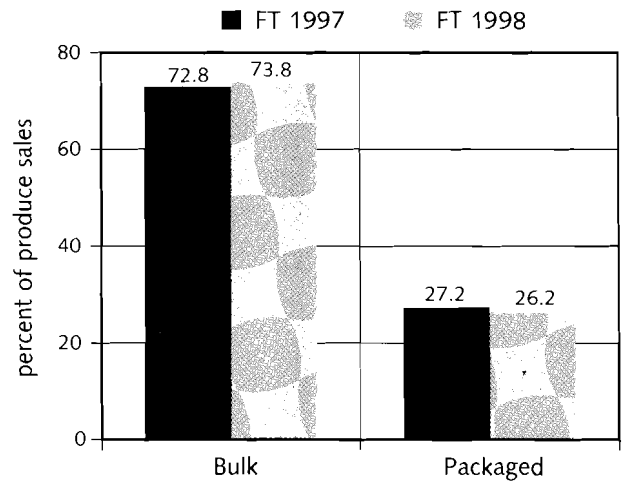
Private Labels in Supermarkets



- Wholesaler labels continue their stronghold while retailer private labels have experienced a modest, backwards slide.

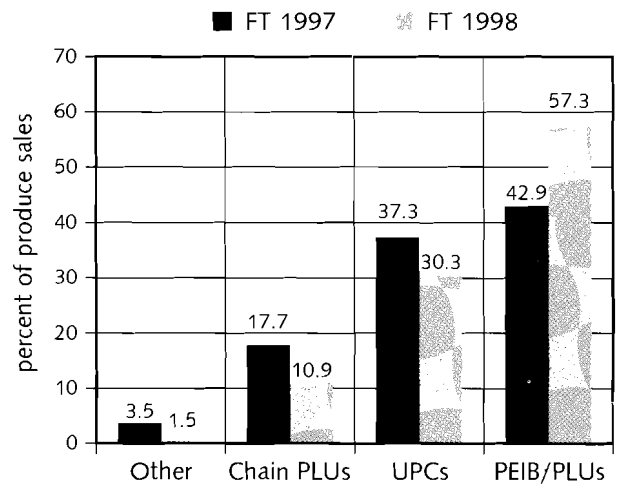
Packaging and Coding

Produce Packaging in Supermarkets



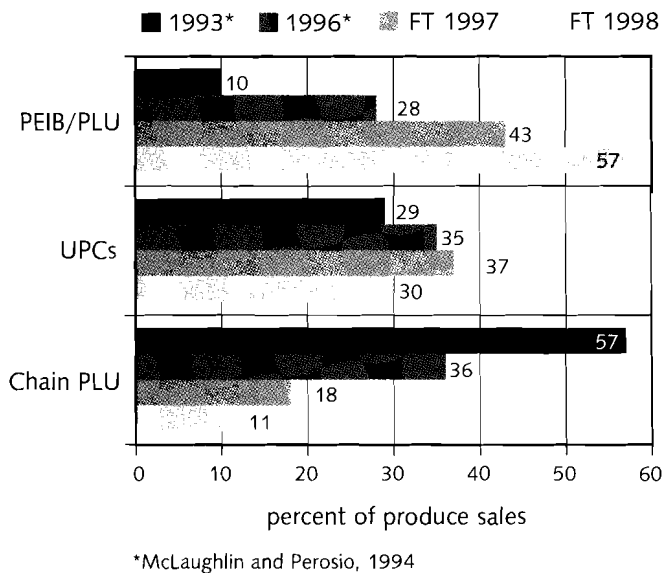
- Little change occurred regarding produce packaging between 1997 and 1998—bulk packaging continues to dominate.

Price Coding of Produce in Supermarkets



- The use of Produce Electronic Identification Board Price Look Up (PEIB/PLUs) codes jumped 34% in just one year from 42.9 percent of produce sales to over 57 percent of produce sales.
- UPCs and Chain Specific PLUs have diminished in importance.

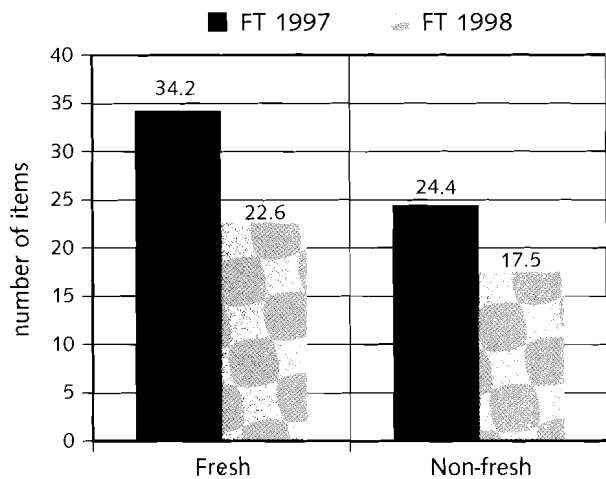
Price Coding Over Time



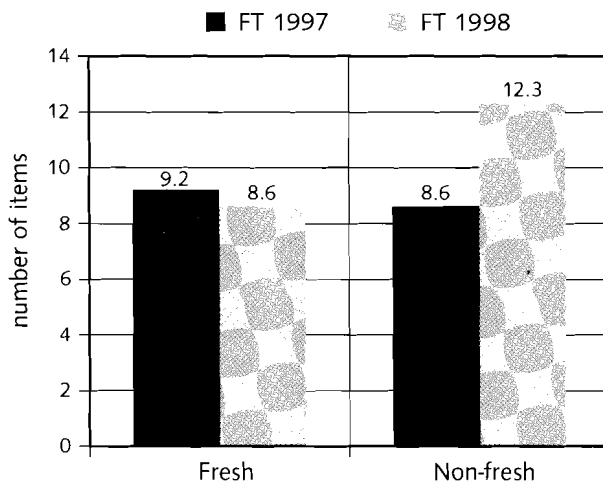
- A clear trend is exhibited over the last 5 years toward more coding uniformity with increasing numbers of retailers moving toward PEIB/PLU coding and away from chain-specific coding.

Supermarket Produce Department Growth

New Product Additions

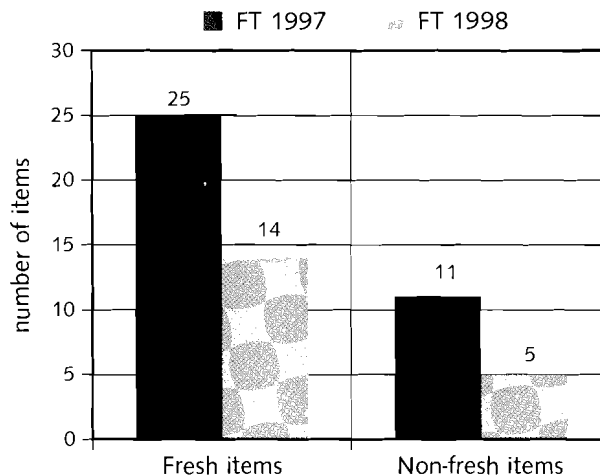


New Product Deletions



- While product deletions for fresh produce have declined only slightly since 1997, on average, over 4 additional non-fresh items were deleted in 1998 than for the previous year.

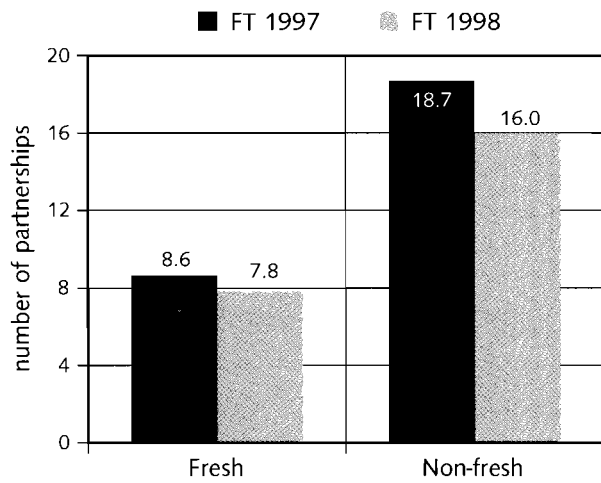
Net Effect of Supermarket Produce Additions and Deletions



- In 1998, The net effect of produce additions and deletions is a net gain of 19 products: 14 fresh and 5 non-fresh, a decline of 17 product additions from a year ago.

Operations

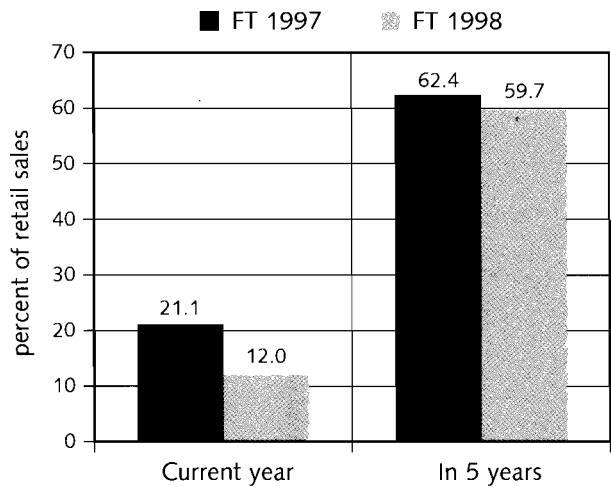
Frequency of Supplier-Retailer Partnerships



- For the 1998 *FreshTrack* retail respondents, the development of supplier-retailer partnerships has declined modestly from 8.6 in 1997 to 7.8.
- Further, as retailers look to the future, a decrease in the number of supplier-retailer relationships is predicted for 2003 compared to what was predicted a year ago for 2002.

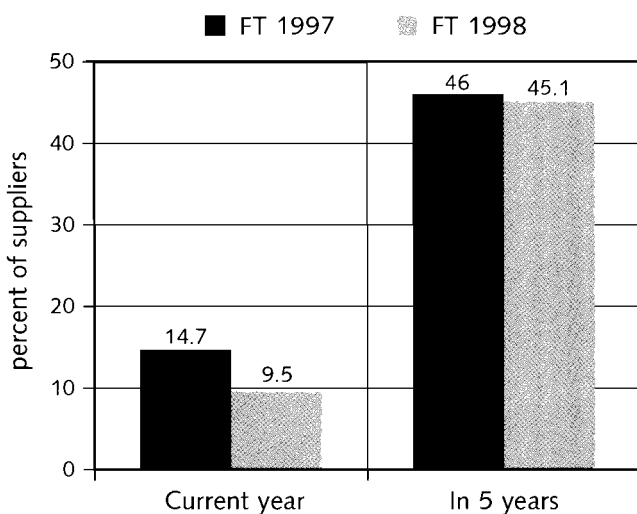
- 1998 *FreshTrack* respondents indicate a slight decrease in the use of EDI with their suppliers compared to their use in 1997.
- Remarkably, in looking toward the future, 1997 respondents and 1998 respondents offered similar projections regarding their intended use of EDI.

Percentage of Retail Produce Sales Transacted via EDI



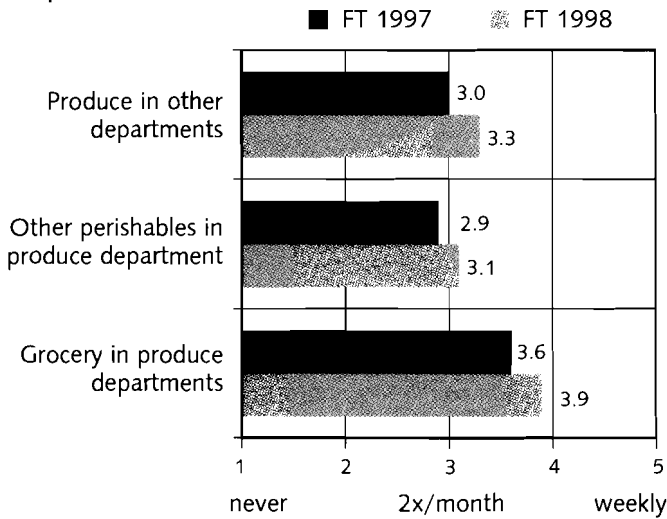
- *FreshTrack* 1998 respondents indicate a 43 percent decline in the percentage of their retail sales transacted via EDI relative to a year ago.
- *FreshTrack* respondents for both 1997 and 1998 predict that a very similar (60%) percentage of their retail sales will be transacted via EDI in 2002 and 2003 respectively.

Supermarket Produce Department Use of EDI



Cross Merchandising Produce

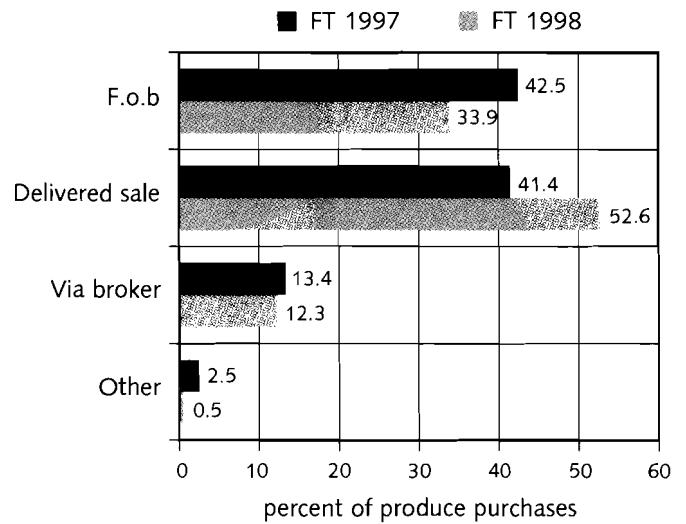
Frequency of Cross Merchandising Supermarket Produce



- The use of cross merchandising in other departments throughout the supermarket has increased over the past year.

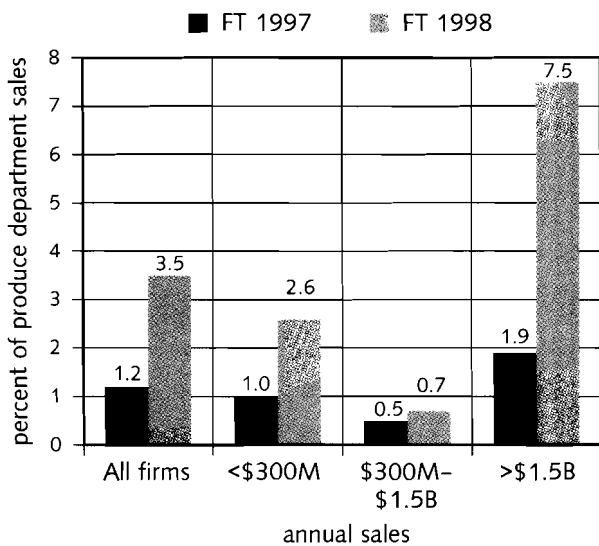
Supply and the Buying Process

Types of Sales Transactions



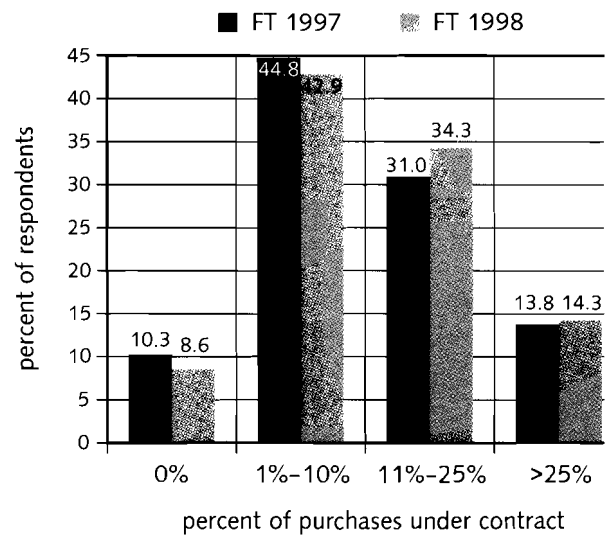
- FreshTrack 1998 retailers indicate a 27 percent increase in the use of “delivered sale” as a means of payment and a 20 percent decrease in the use of f.o.b. transacted sales compared to 1997 levels.

Retail Sales from Produce Sold in Other Departments



- As expected, an increase in the amount of produce cross merchandising occurring throughout the supermarket leads to a corresponding increase in the produce sales sold in other departments.

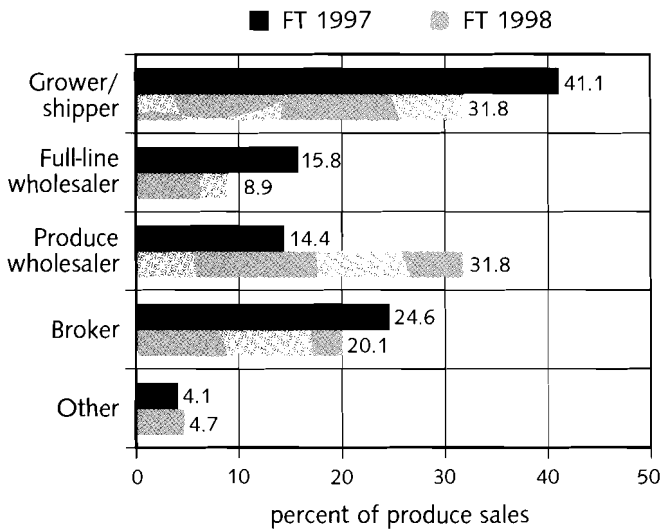
Use of Contract Pricing



- A trend appears to be forming regarding the use of contract pricing.
- Nearly half of FreshTrack 1998 respondents indicate they utilize contract pricing for at least 11 percent of their purchases compared to 45 percent of firms just one year ago.

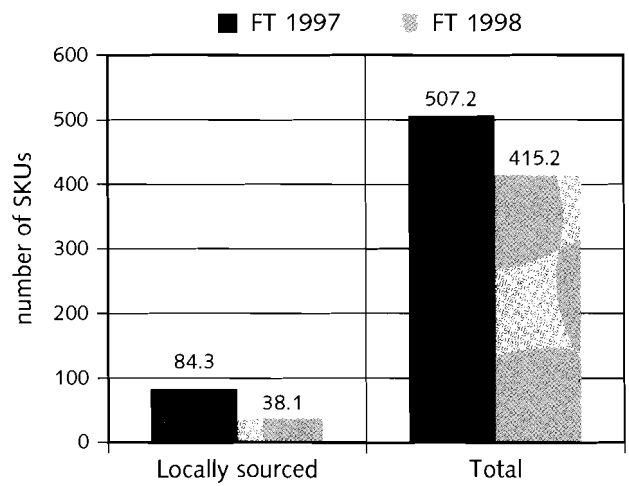


Source of Produce for Retailer Buyers



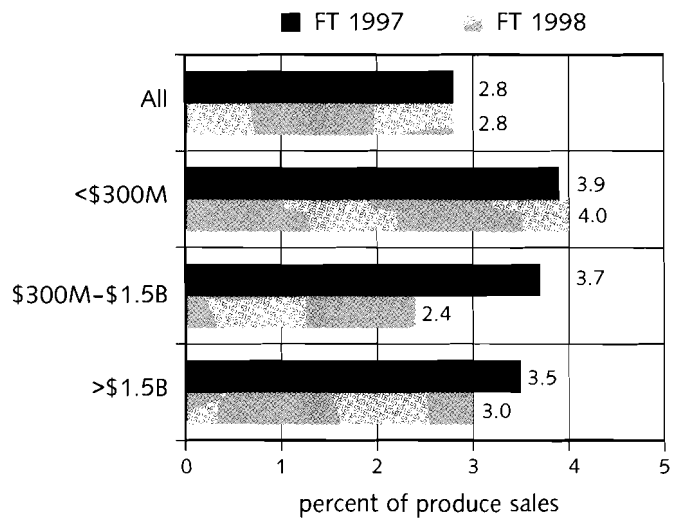
- This year's *FreshTrack* 1998 respondents utilize produce wholesalers for their produce purchases to a greater extent than last year's respondents. It is possible, however, that the greater apparent use of produce wholesalers may stem from this year's sample of retailers which contains relatively slightly fewer of the largest size firms.

Number of Supermarket Produce SKUs



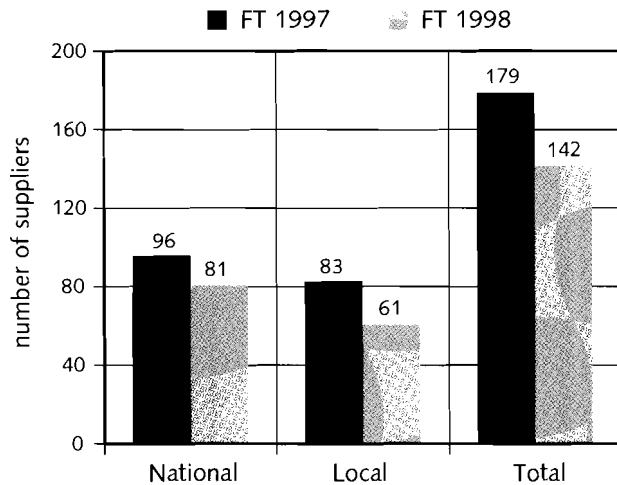
- For the *FreshTrack* 1998 respondents, the number of retail SKUs carried by retailers decreased 18 percent from a year earlier.
- The number of locally sourced SKUs dropped by 55 percent from a year earlier.

Produce Losses: Retailer Rejections, by Firm Size



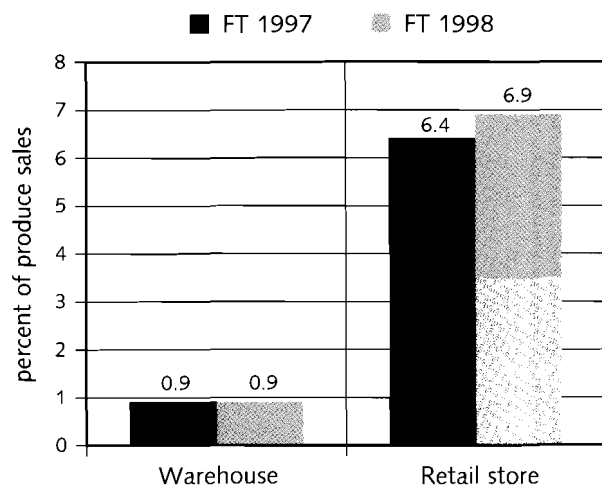
- Overall, *FreshTrack* 1998 respondents reported a slight decrease in the percentage of their produce loads which are rejected.
- Mid-size firms reject the highest percentage of produce while firms with annual sales of less than \$300 million reject the lowest percentage of produce from their suppliers.

Supermarket Produce Suppliers: National and Local



- *FreshTrack* 1998 respondents indicate using 142 produce suppliers down from last year's report of 179 suppliers.

Supermarket Retail and Warehouse Produce Shrink



- Shrink, as a percent of retail sales, remained the same at the warehouse level in 1998 compared to 1997, but increased slightly at the retail store.



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