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A SYSTEMS APPROACH TO FROZEN FOODS MERCHANDISING

by
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Objectives

1. To develop an integrated merchandising and operational management system for the Frozen Foods Department.

2. To establish qualitative and quantitative standards for the maintenance and measurement of performance.

3. To increase Frozen Foods sales and department contribution dollars.

Defining the Problem

There are many problems associated with the efficient management of a Frozen Foods Department which have to be resolved:

1. The physical problem of cases; what kinds of cases, how much of each in what combination of coffin, vs. multi-deck vs. reach-in door type and how much storage chest.

2. From an operational viewpoint: the costs relative to capital equipment; continuing maintenance, and energy. The functional costs of insuring compliance with qualitative and quantitative standards.

3. From a merchandising viewpoint: how do you determine and maintain the product line for each store, considering the differences in store location, sales, and case footage--failure of which is the prime contributor to the out-of-stock condition in the stores--the major generally agreed upon cause for loss of sales and profit, which the merchandiser

blames on the operations people and conversely the operations people blame on the merchandiser.

4. And, finally, how do we install, maintain and audit the program?

Task Force

The first step was to create a task force (both line and staff) of those responsible for program input, development and implementation, the Sales Manager, Buyer/Merchandiser, Operations Specialist, Industrial Engineer, District Manager, Store Manager, Grocery Manager and Frozen Foods Department Clerk.

The ground rules hammered out and established at the very first meeting, in my opinion, formed the basis for successful programming:

1. That each member of the task force, no matter his line or staff position, would participate in and contribute to the development of the overall program. This meant, for example, that the District Manager and Store Manager would become involved in item selection, case layout, etc. and conversely the merchandiser would participate in development of the labor standards, functions, etc.

2. That the merchandiser would have to recognize case size and capacity limitations by store and develop merchandising programs accordingly, which included case maintenance through new and discontinued item control.

3. That line management had to feedback local/ethnic needs and program results to merchandiser.

4. That everyone (Sales Manager, merchandiser and line people) was responsible for the program installation, maintenance and auditing. In fact, each i.e., the Sales Manager, Merchandisers, District Manager, Store Manager selected a store and then a group of stores and individually installed and taught the entire program, case layout, ordering system, stocking, etc.

Our first approach in the process was to establish a practical system for item selection and case management from a merchandising viewpoint--what we call the:

The M.O.E. CONCEPT - Must - Optional - Ethnic

FF Department, broken down in 7 classifications based on amount of display case and capacity.

Each class has "must stock" items, authorized by Buyer/Merchandiser and designating for that particular size cabinet, a basic product line mix designed to blend variety with sales and profit requirements.

Optional items are selected by the Store Manager based on the demographics of his location.

Ethnic items become "musts" in demand areas.

#1. Capacity Chart - (include Footage Computation)

Special column in order guide for M.O.E. Code designation - Stores can order its own code plus letter preceding.

Merchandiser is responsible for maintaining M.O.E. concept, which includes procedural instructions for layout and case maintenance in terms of new and discontinued items, one shot deals,

advertised items, item substitution and spot case merchandiser.

Simultaneously with the M.O.E. concept, we developed the ordering system, case allocation and case layout.

The ordering system was based on a 48 to 72 hour lead time, restocking standard of one full case (with some exceptions) and a minimum of $1\frac{1}{2}$ case allocation for each item. As a result of our research in about 10 stores, we established the numbers of 3 to $3\frac{1}{2}$ items stocked per foot which formed the basis for the capacity chart (75/25). There are some exceptions based on high penetration stores: 2 to $2\frac{1}{2}$ items/ft. and with $\frac{1}{2}$ case stocking over 4 items/ft.

Once having determined case capacity, we were able to complete the space allocation and case layout standards.

#2. Frozen Food Space Allocation - 10 Major Categories

Space allocation was established by categories on divisional movement figures, but each store was permitted to adjust the allocation based on its local needs.

#3. Case Layout by Categories

Layout was tailored to each store because of great variances in size, capacity style, and location but, generally category positions were maintained as shown to take advantage of traffic flow, tie-in sales, impulse purchasing, etc.

Plan-o-grams and/or written programming were prepared for each category--designed to present the appropriate merchandising appeal.

#4. In-Store Merchandising - Orange Concentrate

The first phase, i.e., merchandising segment was relatively simple. The difficult problem was in the preparation

of a management system which could insure maintenance and continuity of programming and performance measurement.

For example, when is a case in full stock condition, how do we measure condition, etc.?

#5. Quality/Quantity Standards

1. Stocking - full case and half case by exception.

2. Case Down Standard...Up to 120 equiv. feet of case - no more than 60 cases down at 9:00 a.m. daily.

...Over 120 equiv. feet, $\frac{1}{2}$ case per equiv. foot at 9:00 a.m.

...Warehouse shorts and substitutions are not included.

3. Maximum Display Condition - M.D.S. must be attained by 11:00 a.m. daily, defined as case is full to point which will not permit addition of a stocking unit.

4. Display Height - No item displayed above case load limit or outside its assigned space allocation.

5. Square Down or Leveling - Entire department is levelled (not dummied) prior to 9:30 a.m.

6. Product Rotation - Pull date according to chart.

#6. Measurement of Stock Condition

Cases Down Schedule Per 100 Case AWM

The final step was the Scheduling Process, i.e., analysis of work load and development of a work routine.

#7. Function Description/Timing

#8. Production Work Sheet

Detailing functions and time elements by day - with a work routine establishing daily sequence of functions and completion times - modified P.I.

Results:

#9. Frozen Foods Sales Analysis

DISTRIBUTION SYSTEMS FOR CONVENIENCE STORES

by
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Convenience stores have long posed a problem in grocery distribution because of small purchases per store, the mix of product, and transportation problems; but these problems must be solved because of growth of the industry. Progressive

Grocer magazine reported in their 1973 food industry study that there are now 20,300 convenience stores doing \$4,350,000,000 in sales, and they are the star performers in food retailing.

Five years ago, McLane Company began working to find the best distribution system for the convenience store industry providing the variety of product, service, merchandising controls, and cost reduction. Today our results are:

1. Number of convenience stores serviced weekly: 937
2. Average weekly sale per store: \$1,070.00.
3. Number of loads shipped per week: 67.
4. Number of delivery miles per week: 23,484.
5. Backhaul weight in relation to total receiving: 33%.
6. Average number of items supplied to most convenience stores: Grocery items - 1,114/HBA and Nonfood items - 1,070.

We have achieved these results by developing the type of grocery distribution program needed by convenience stores. Our services include:

1. Weekly delivery to all stores with scheduled arrival times. This helps stores have part-time assistance for stocking.
2. Product mix to consolidate purchases and eliminate many small deliveries.
3. For each convenience store group, we provide the following merchandising services:
 - A. A tear-strip order book with only the items approved for the stores.
 - B. Each case of product has a gum label giving product description and the individual retail price for that group.

C. Weekly computer report for each convenience group showing weekly and year-to-date purchases by items for all stores.

D. A low out-of-stock ratio that will provide the stores with better sales and eliminate back-up suppliers.

E. Each invoice gives the retail value of the merchandise purchased as well as a purchase summary showing eight categories with cost, retail, and percent of profit.

F. Hold meetings with convenience store merchandising staff to work out promotions on products that are important to this industry. On many products, we make distributions of new items and promotion items to cut down lead time in merchandising.

G. We also stock private label items when it is important to a group's merchandising program.

The consolidation of purchasing has given us an opportunity to make larger deliveries to convenience stores at a lower cost, and this saving has been passed on to our customers. We feel that our distribution program has resulted in greater sales and larger gross profit for our customers. We know our program has made us more efficient in grocery distribution.
