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# STATE ORIENTED IN-STORE MERCHANDISING TECHNIQUES

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## Purpose and Objectives

This paper considers the effects of in-store merchandising efforts on the sale of a state's food products. There are many food products produced and processed in Kentucky from its own raw materials, but consumers tend to be unaware of this fact when they shop. Consumers may prefer to purchase Kentucky products over another state's if they were aware of the products that were produced in Kentucky especially if these products were equal to or superior in quality to competing products. Consequently, a study was designed by the Governor's Council on Agriculture in conjunction with the University of Kentucky's Department of Agricultural Economics to investigate the effects of in-store merchandising on supermarket sales of selected Kentucky agricultural products. This study was to determine if a full scale program of promoting Kentucky agricultural products should be instituted.

The program objectives reflect specific goals of three participants: the state, producers, and supermarket owners.

1. The State - to determine the affect of such in-store merchandising efforts as AKAP (a Kentucky agricultural product) labels and point-of-purchase materials on product sales. The program would increase consumer awareness concerning the products produced in the state and may consequently increase food sales.

2. Producers - to differentiate the products produced and processed in the state from others in order to increase sales.
3. Supermarket Owners - to promote their store image by increasing the consumers awareness of Kentucky commodities.

If consumers preferred their own state's food products over another, sales of the state's agricultural food products would be increased, benefiting each of the participants. Producers, and possibly supermarket owners, would benefit from increased sales. In addition, store owners could improve their store image by advertising their participation in such a program. State officials would see their objective met in that consumers would be made aware of products produced in the state and that there would be increased sales of these products and consequently state income.

## Methodology

In the development of an in-store merchandising program it would be beneficial to first test such a program. Methodologies such as the ones used in the Kentucky study are applicable to any test project.

There were six pairs of stores used for the Kentucky test project. Three pairs of small town supermarkets that catered to rural and small town customers

and three pairs of urban stores with clientele from the blue collar sector and middle to upper middle classes. The pairings were based on similarity of market characteristics including type and size of store, community where store was located and customer socio-economic characteristics. The three pairs of small town stores were located in counties in Central Kentucky, while two pairs of urban stores came from Louisville and the other pair was in Lexington.

Five Kentucky products were tested, and these were in four different food groups: 1 fruit and vegetable product, 1 meat product, 1 dairy product, and 2 cereal and grain products. All products were produced and processed in Kentucky with the exception of two which were only processed in the state. Test products varied by market area with identical products being tested in paired stores where possible.

The test period for Kentucky ran from July 17, 1978 to August 15, 1978. During the period July 17 to July 30, 1978, in-store merchandising materials were used in the first store of the six pairings while the control store of the pair used normal merchandising procedures. Test product sales were then measured in the test store and in the control store during this two week period. During the other two week period, of July 31 to August 15, 1978, procedures were reversed. In-store merchandising materials were removed from the first store and placed in the control store. Product sales were again measured for both stores. Afterwards, test results in the six pairs of stores were compared and analyzed statistically to determine if there were increases in test product sales.

In-store merchandising procedures included the AKAP (a Kentucky agricultural product) seals which were placed on the test product to inform consumers that the product was produced in Kentucky. Special point-of-purchase posters were also used

at each product site to increase consumer awareness. Other merchandising practices were held constant during the test periods. The regular shelf display for each product was maintained with no change in location of display or number of facings. The test products were not advertised by either the supermarket or public media as being Kentucky products.

### Test Results

As the test products varied by market area, the three market areas--Louisville, Lexington, and rural counties--were analyzed separately. Test results also tended to differ according to the market area.

#### Louisville and Jefferson County.

This market was represented by four test stores. One pair of stores served an urban blue-collar clientele while the other pair served customers from the middle to upper-middle class.

Increases in sales were secured for all products except the Thrifty Maid Pork and Beans product as shown in Table A. (The results in Table A are consolidated for the four supermarkets used in Louisville.) The decrease in the sale of Thrifty Main Pork and Beans may be attributed to the special multiple pricing sale that was held in late July during the test period.

Results tended to vary between stores with some supermarkets in this market area having greater total sale increases than others. Product sales also varied between the four stores.

Overall, however, results from the Louisville market area indicated that Kentucky agricultural product sales can be increased through the use of in-store merchandising techniques such as the AKAP seals and corresponding point-of-purchase materials.

TABLE A. KENTUCKY AGRICULTURAL PRODUCT PROMOTION RESULTS IN FOUR SUPERMARKETS IN JEFFERSON COUNTY, KENTUCKY, JULY 17-AUGUST 13, 1978

Product	Number of Item Sold		Difference Between Check and Promotion Periods	Percent Increase (Decrease)
	Check Period	Promotion Period		
Fischer Bacon, 12 ozs.	545	711	166	30.5
Cottage Cheese, Superbrand, 1 lb.	969	1,103	134	13.8
Cottage Cheese, Superbrand, 2 lbs.	752	977	225	29.9
Cottage Cheese, Superbrand, Total lbs.	2,473	3,039	566	22.9
Pork and Beans, Thrifty Maid, 1 lb.	3,533	3,516	(17)	(0.5)
Rainbo King Thin Bread, 20 ozs.	3,949	5,896	1,947	49.3
Self Rising Cornmeal, Ky. Kernel, 5 lbs.	56	66	10	17.9
Self Rising Cornmeal, Ky. Kernel, 10 lbs.	1	9	8	800.0
Self Rising Cornmeal, Ky. Kernel, Total lbs.	290	420	130	44.8

Lexington. This market area in Lexington had one pair of stores, each of which served a middle class clientele.

As shown in Table B (consolidated for the Lexington area), positive results were found for all products except Purnell's Old Folks Sausage, 1 pound package and the five varieties of Laughing Cow Cheeses. Sales of Purnell's Old Folks Sausage could have been adversely affected by a competitor's special sausage promotion during the test period as a special display was set up and cooked samples were given to customers directly in front of the display of Purnell's Old Folks Sausage. The decrease in sales of Laughing Cow Cheeses may have been due to the cheeses' being located above eye level on the top shelf of the display. Also, the AKAP seal did not adhere well to the wax covering of the cheese package. Results tended to be constant in each of the two stores tested in Lexington.

Results from the Lexington market also indicated that in-store merchandising methods could be used in the Lexington area to increase sales of Kentucky agricultural products.

Anderson, Clark, Madison, Montgomery, and Scott Counties. This market area consisted of three pairs of stores, all of which served rural and smalltown customers.

In this market area, test results were mixed. See Table C which is consolidated for all stores in this area. There were positive results for Paramount Pickles, eggs, cornmeal, and Rainbo Bread while there were decreases in the sale of pork sausage packages and self-rising flour products. It has not been determined why there were decreases in these products except that the AKAP seal would not adhere well to the pork sausage package.

Due to the mixed test results, there was no conclusive evidence that in-store merchandising techniques would increase

the sale of Kentucky agricultural products in rural county areas.

#### Implications of the Kentucky Study

The results from the Kentucky study were very positive and indicated that a full-scale in-store merchandising program to promote Kentucky agricultural food products would be worthwhile. The study showed that cereal, dairy, processed meat, and processed vegetable products would respond well to this type of program. Cornmeal, biscuit, and bread products tested showed an increase in sales from 11% to 42% while cottage cheese and egg sales increased 5% to 23%. Other cereal and dairy products such as cheddar cheeses and possibly milk could also be used in this program with excellent results. The processed meats that were tested by the Kentucky study increased in sales on the average of 30% and indicated that other products such as canned hams and country hams would work well. Processed vegetable product sales also increased. Further, the study indicated that the AKAP label and point-of-purchase material concept is justified for a full-scale program.

In accord with the information presented by the Kentucky study, the Governor's Council on Agriculture embarked upon a full-scale promotion program. The first step was to publish a pocket directory as a brand name guide to products grown and processed in Kentucky. This directory was distributed to individuals and consumer groups as well as to wholesale and retail food outlets in the state. The purpose of this pamphlet was to increase the awareness of persons as to the products that are "homegrown." Guidelines as to the use of the Agricultural Products of Kentucky Marketing Seal were also developed. These guidelines indicated who may use the marketing seal, how promotion of the marketing seal will be handled and the responsibilities of commodity groups, processors, and the

TABLE B. KENTUCKY AGRICULTURAL PRODUCT PROMOTION RESULTS IN TWO SUPERMARKETS IN LEXINGTON, KENTUCKY, JULY 17-AUGUST 13, 1978

Product	Number of Item Sold		Difference Between Check and Promotion Periods	Percent Increase (Decrease)
	Check Period	Promotion Period		
Purnell's Old Folks Sausage, 1 lb.	164	128	(36)	(22.0)
Purnell's Old Folks Sausage, 2 lbs.	140	182	42	30.0
Purnell's Old Folks Sausage, Total lbs.	444	496	52	11.7
Laughing Cow Cheese, 5 Varieties	129	117	(12)	(9.3)
Paramont Kosher Dills, 16 ozs.	49	95	46	93.9
Mondellis' Buttermilk Biscuits	2,475	2,750	275	11.1
Self Rising Cornmeal, Weisenberger, 5 lbs.	33	54	21	63.6
Self Rising Cornmeal, Weisenberger, 10 lbs.	9	46	37	411.1
Self Rising Cornmeal, Weisenberger, Total lbs.	255	730	475	186.3

TABLE C. KENTUCKY AGRICULTURAL PRODUCT PROMOTION RESULTS IN SIX STORES IN LAWRENCEBURG, GEORGETOWN, MT. STERLING, WINCHESTER, AND RICHMOND, KENTUCKY, JULY 17-AUGUST 13, 1978\*

Product	Number of Item Sold		Difference Between Check and Promotion Periods	Percent Increase (Decrease)
	Check Period	Promotion Period		
Pork Sausage, 1 lb.	494	417	(77)	(15.6)
Pork Sausage, 2 lbs.	506	386	(120)	(23.7)
Pork Sausage, Total lbs.	1,506	1,189	(317)	(21.1)
Paramont Sweet Gerkins, 1 lb. jars	37	40	3	8.1
Eggs, IGA Brand, Dozen	7,302	7,671	369	5.1
Self Rising Flour, 5 lbs.	21	7	(14)	(66.7)
Self Rising Flour, 10 lbs.	7	8	1	(14.3)
Self Rising Flour, 25 lbs.	17	7	(10)	(58.8)
Self Rising Flour, Total lbs.	600	290	(310)	(51.7)
Self Rising Cornmeal, 5 lbs.	71	88	17	23.9
Self Rising Cornmeal, 10 lbs.	44	45	1	2.3
Self Rising Cornmeal, Total lbs.	795	890	95	12.0
Rainbo Bread, 1 lb.	709	712	3	0.4

\*All stores did not carry all products. Distribution was as follows: eggs, 5 stores; sausage, 1 lb. and 2 lbs. and Paramont Sweet Gerkin pickles, 6 stores; flour, 5 lbs., 2 stores; flour, 10 lbs., 1 store; flour, 25 lbs., 3 stores; cornmeal, 5 lbs., 5 stores; cornmeal 10 lbs., 4 stores; Rainbo bread, 1 store.

Governor's Council on Agriculture. An advertising agency was secured to design the point-of-purchase materials and pamphlet covers using the same theme so as to coordinate all advertising efforts. Newspaper, radio, and television advertisements were utilized to inform the public concerning the program. Meetings were held by the Governor's Council on Agriculture for producers and processors of Kentucky agricultural products to secure cooperators for the program.

In order to secure cooperators, the Governor's Council on Agriculture offered incentives, such as grant agreements to food grower associations. These grant agreements allocated money to associations for use by their producers and processors for revamping the products packaging containers to include the Kentucky seal. In return, the food-growing associations and federations had the responsibility of handling the point-of-purchase materials and distributing them to retail supermarkets. Successful grant agreements were made with the Kentucky Poultry Federation, Dairy Producers Association of Kentucky, Kentucky Beekeepers Association, Kentucky Meat Producers Association and the Kentucky Vegetable Growers Association.

Recently the program was transferred to the State's Department of Agriculture. The Department of Agriculture has revised the Kentucky Products directory and is in the process of incorporating many new plans and ideas with those used by the Governor's Council. A new advertising agency is being secured to coordinate the promotional efforts of the AKAP program.

Contact has been maintained with the original five associations covered by grant agreements with the Governor's Council. In addition, six other food and agricultural associations in the state have been added as cooperators without the aid of grant agreements. The Department of Agriculture feels that as people become aware of the AKAP seal and program

that associations will determine that it is to their best interests to apply the seal and promotional materials to their products.

In the future, the Department of Agriculture expects to start a full advertising program of television, radio and newspaper spots along with other media contact. This advertising program should help to educate people concerning Kentucky agricultural products and enable them to associate the AKAP seal and program with these products. In addition, the department plans to contact all other producers and processors who are eligible to use the Kentucky marketing seal and hopes to see the AKAP seal and other materials displayed on as many products as possible.

#### Merchandising Tips

The use of an in-store merchandising program to increase sales of a state's agricultural food products can be more effective if proper merchandising techniques are employed.

Merchandising of the produce department is very important as most produce products are uniformly demanded all year round. Power items such as lettuce, potatoes, apples, grapefruit, onions, celery, and carrots can be dispersed so as to increase sales of impulse items by the creation of a "bounce" pattern. The "bounce" pattern causes customers to "bounce" from one side of an aisle to the other and helps the customer to shop the entire department. It is also important that the produce department be kept clean and attractive to consumers.

Typically, in the dairy department most customers make planned purchases which are located at the bottom of the case, i.e., eggs, milk, margarine, and are not exposed to the higher margin impulse merchandise usually found on upper shelves. Customers should be made to shop the entire dairy case. An effec-



tive way to ensure full department shopping is to disperse high margin impulse merchandise among planned, demand merchandise. One idea is to use vertical displays, and to break up display lines by alternating vertical and horizontal displays. This type of display is more attractive to customers and encourages more eye movement so as to increase customer exposure to all dairy products. The horizontal and vertical shelving concept also allows for many different types of products that require various shelf heights. In addition, the dairy case should be departmentalized according to product groupings so as to enhance sales by making it easier for customers to shop. Point-of-purchase materials and displays can also be utilized to keep the department from looking "sterile."

Many of the ideas for dairy department merchandising can be used for frozen foods. Shopping of the entire frozen food case can be encouraged by placing impulse items among the demand products and grouping should be done by product type, not brand name. Again, point-of-purchase materials can be used to make the department more attractive and to point out specials or new products to consumers. Another idea is to use ethnic merchandising based on local customer preferences for particular items. A retail food outlet may also want to consider multiple pricing in their frozen food department to encourage consumers to purchase in quantity.

Some additional merchandising techniques that apply to other departments follow. A supermarket operator should make use of multiple displays for particular products. An example is potato chips: potato chips can be marketed in the snack section and with beer and cola products. In the snack section, they are a power item while in the beer and cola section they are impulse items. It has

been proven that multiple displays actually do increase volume.

Another idea in conjunction with multiple display is to develop a strolling demonstrator, either mechanical or human that would promote the product in other parts of the store. A third idea that can be very effective in merchandising products is to use vertical rather than horizontal displays. These displays break the monotony of shopping by increasing eye movement of customers and provide more adequate exposure to higher margin items.

These effective merchandising techniques can be used in conjunction with an in-store merchandising program such as the one developed by Kentucky.

#### Conclusions and Recommendations

The program developed and tested by the state of Kentucky to promote its agricultural food products would be applicable for any state and would benefit all parties involved in such a project. First, all products must be of equal or higher quality than competitor's and quality control must be maintained throughout the program. Second, special media promotions (radio, TV, and newspaper) should be utilized in conjunction with the product seals and point-of-purchase materials. Third, point-of-purchase materials should be artistic, attractive to customers, and geared to the size of the product display and facing room so that they will not block the product or that of a competitor. Finally, incentives must be given to encourage cooperators in the use of the marketing seal and point-of-purchase materials.

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