



Fresh Solutions

New technologies help retailers maximize revenues from fresh food sales and reduce waste. **BY FIONA BRIGGS**

Retailers around the world are focusing on fresh foods to boost sales and differentiate their offer. This includes fresh produce, meat and fish, coffee, deli, bakery and increasingly fresh foodservice items made in-store.

But fresh foods, by their nature, present a bigger challenge than ambient rivals; they are perishable and more likely influenced by seasonal events and weather, which can create spikes and slumps in demand.

As competition intensifies, retailers are seeking solutions to maximize sales of fresh food to drive margins and, at the same time, reduce waste. They are turning to technology to help.

PRICE ELASTICITY

“There’s so much competition and it’s gotten worse,” said Karen Dutch, senior vice president, marketing at Revionics, the Roseville, California-based supplier of end-to-end merchandise optimization solutions. “Retailers are relying more and more on optimization technology for their brand image. How they price items is increasingly important — customers are looking for fair value.”

In the United States, Revionics works with supermarket chains Big Y, Roundy’s and Rouses, as well as Walgreens and Holiday Stationstores — all of which are upping the ante in fresh foods and food-to-go. According to Dutch, Revionics’ optimization software uses price elasticity of demand to measure the change in customer demand relative to a change in price.

The software also factors in seasonality, weather, holidays and loyalty



Pricing optimization helps retailers manage markdowns in fresh foods.

data and marries it all with two components: the retailer’s business rules plus operational constraints and its strategy.

Constraints include the number of price changes a retailer has the capacity to make, which are then prioritized by the Revionics system. Dutch reports that some retailers hire temporary staff to implement additional price changes because the financial payback of taking on more recommendations is bigger than the cost of making the changes. Strategy, meanwhile, centers on the financial goals a retailer is looking to achieve.

Specific to pricing technology for fresh foods, however, is the shortness of shelf life versus the longevity of canned vegetables, for example. Dutch says Revionics’ demand model takes this into account and is self-learning — every time it brings the data in, the demand models rebuild themselves.

“When we are making pricing recommendations, the demand model never gets stale and will always be on top of any emerging trend. This is critical when you pick up any kind of perishable,” said Dutch.

Revionics is also able to use pricing data at SKU and store level and, with fresh foods, at vendor level. A retailer may be sourcing strawberries from several suppliers, for example, and have different cost structures with each. Revionics can help to understand the cost at vendor level to normalize prices based on average cost or use real costs and let shopper demand create localized prices.

Revionics also offers “what if?” scenario planning, which enables retailers to try out different strategies, go through the optimization process and look at prices and their financial outcomes.

Critically, getting the price right to begin with can help reduce waste, advises Dutch. With fresh foods this is key because a retailer will be dealing with different product lots. “A retailer does not want all their strawberries reduced just because one batch is hitting its expiration date,” said Dutch.

And correct pricing can also benefit the bottom line. “General merchants and those selling seasonal lines tend to put products on clearance once demand starts to drop,” she said. “We start a little bit earlier — before demand drops — with a small markdown. This enables retailers to sell through a lot of product before the heavy discount and results in better profitability.”

BIG DATA = \$

Optimizing sales forecasting is key at German predictive analytics company Blue Yonder, which helps grocery retailers assimilate big data to

maximize profits and revenues. “Everything we do revolves around forecasting correctly,” said Rakesh Harji, managing director of the company’s new U.K. office.

This is key for its retail customers, which can operate 700 to 2,500 stores across different geographies and with thousands of SKUs, including fresh items like dairy, meat and fish — difficult items to predict.

According to Harji, Blue Yonder produces 600 million forecasts a day for one retail customer, which are then fed into its core planning systems to automate procurement. “We are taking care of their fresh processes to make sure they have the right amounts and are not overstocking,” he said. This maximizes revenues and reduces waste. “Having shelves stocked in the right way is key, but empty at the end of the day is critical as well,” he said.

Retailers’ sustainability targets play

A SMALL MARKDOWN ALLOWS RETAILERS TO SELL A LOT OF PRODUCT BEFORE THE HEAVY DISCOUNT AND RESULTS IN BETTER PROFITABILITY.

a greater role within the fresh category, too.

“Retailers need to be seen to be green; not wasting produce is a key driver — not just for major retailers but convenience stores as well,” said Harji.

Like Revionics, Blue Yonder’s platform is scalable and can deliver results at SKU level on a daily basis, forecasting out to 26 weeks per SKU across every store. Suppliers benefit too, as Harji explained: “If you can get the forecast correct, then the 26 weeks of forecast



Attention to fresh processes ensures the right amounts of product are on hand and prevents overstocking (left); fresh foods are a differentiator for many retailers (above).

Fresh food is a key focus at Revionics' customer, Rouses Supermarkets (below); pricing optimization helps reduce fresh product waste at Rouses (right).



information fed back down to the supplier has a really good benefit in terms of their planning and can impact the supply chain in a positive way.”

Blue Yonder now wants to take its experience in the German grocery market — Harji describes it as the “most competitive in the world” and a “pure margin business” — to the U.K. “Retailers need to sell more of what’s needed and less of what’s not needed. We are confident we can help because we understand that.”

Harji cites a fresh produce case study with a German retailer, which bought products based on its own team’s forecasts and “gut feel.” The retailer ran Blue Yonder’s system in parallel in a pilot in the spring of 2012. According to Harji, when the retailer measured the results, the overconfidence and gut feel produced a 40% higher write-off rate than with Blue Yonder.

FRESH FOOD PAIN POINTS

Back in the United States, Applied Data Corporation (ADC) is helping retailers maintain profitability in fresh foods with InterStore, which comprises three software modules, each designed to address a particular pain point, such as shrinkage.

InterScale Scales Manager hosts data to and from barcode labeling scales in the fresh food departments; NutriGen Recipe Manager manages the nutritional facts of the recipe’s ingre-



dients and integrates with InterScale for labeling; and the P-Cubed Production Manager automates, manages and tracks production in the fresh departments of grocery stores, helping to manage markdowns and shrink management of short shelf life products.

The Brookshire Grocery Company, a 150+ store chain based in Tyler, Texas, has implemented all three modules. Brookshire’s need for Fresh Item Management (FIM) arose when it opened FRESH by Brookshire, a concept store that focuses on natural, organic, chef-prepared food with more than 2,500 recipes for foodservice items made onsite.

“With over 2,500 recipes planned [before we] opened the doors, we realized we needed a centralized software solution to standardize our recipe database,” said John D’Anna, senior vice president, chief information officer at Brookshire Grocery Company.

ADC’s FIM solutions manage Brookshire’s recipe database. Recipes are costed in real time and the system is focused on production planning, recommending the appropriate amount of fresh product to make, including daypart production such as rotisserie chickens.

The InterScale module feeds pricing information into a database,

which allows Brookshire to highlight any shrink in fresh by comparing what’s labeled and what goes through the checkout. NutriGen has standardized recipes and, in turn, improved in-store compliance.

The PPP3 module, meanwhile, enables the store to do markdowns via handheld scanners and track what is sold at full or at reduced price. The system also includes a Fresh Combination Manager for custom-built sandwiches, which helps the retailer track the individual fresh components of each order, such as lettuce, to prevent outages and lost sales.

Brookshire’s FIM coordinator, Jonathan Key, reports fresh items now maintain a longer and consistent in-stock position, while the solutions have helped drive double-digit growth. And, because the retailer is making more foodservice items in-house, sales have received a further boost.

Technology enables more profitable fresh food retailing. New solutions ensure retailers have the right amount of product on sale at the right time and, critically, at the right price. **NACS**

Fiona Briggs is a retail business journalist. She can be reached at fionalbriggs@gmail.com.