



Now Is The Best Time To Take Stock, Strategize For A Prosperous Future

BY ALAN SIGER

The holiday season is filled with traditions, parties and gifts. It also marks the end of the year, which often presents time to take a moment and reflect on the past 12 months while looking toward the future.

What is working in your business? What is not? Too often, businesses run on auto pilot and continue to operate the same way year after year. If targeting certain customers and markets has allowed for growth, why change? Though I'm sure the folks who had success distributing buggy whips thought they had a good thing going, their perspective likely changed when the invention and mass production of the automobile destroyed the market. Following is an example of how a change in the marketplace can impact your business.

Fruit baskets used to be a staple of traditional produce wholesalers' holiday business. In the 1970s and '80s, my wholesale company had scores of small to medium fruit markets whose holiday business would be 10 times greater than normal due to fruit basket sales. Employers in the mill towns surrounding Pittsburgh often gave their employees and customers fruit baskets for Christmas, and relied on the local fruit markets to supply them. It was not uncommon for a customer to buy more apples, oranges, pears and grapes in a two-week period around the holidays than they would over the next three months combined.

In the late 1990s, my company developed a program to supply fruit baskets to supermarkets through produce distribution centers. We offered four or five different sizes at different price points, thus allowing the produce manager to sell baskets without spending the time to make them during one of the busiest times of year. We — and our customers — were so pleased with the program we expanded into Easter baskets in the spring. A short 10 years later, our fruit basket volume dropped to a point that it no longer made sense to offer it to our customers. The high-end gourmet fruit and gift basket business still exists, but like the buggy whip, the high-volume fruit basket business' time had passed.

What happened to the fruit basket business that looked so promising not that long ago? Along came the Grinch that stole the fruit basket business — the gift card. The gift card is easy to carry, doesn't need refrigeration, won't freeze in the trunk of your car on a Pittsburgh winter day, and it's available in any denomination from just about any retailer you can imagine. To me, a gift card seems like an easy out taking little or no effort. While I can't imagine going to Grandma's house for the holiday dinner and giving her a gift card to Best Buy, that's today's world.

Fruit baskets or not, American consumers still spend millions of dollars on fruits and vegetables during the holiday season; but how we shop for groceries has changed dramatically in recent years. Consider the choices. There are club stores like Costco and Sam's Club, traditionally hard goods merchandisers like Target, upscale and niche retailers like Whole Foods and Trader Joe's, low-cost options like Aldi's and Lidl, and online retailers like Amazon. Let's not forget the explosion of the farmers market and community agriculture. The vast amount of choices has taken a big bite out of the traditional supermarkets and neighborhood fruit markets' bottom line. How

will changes in consumers' shopping habits affect the produce wholesaler? Here are two examples:

Most supermarkets and their distributors rely on wholesalers to cover shorts in retail inventory; for many wholesalers, this is a significant part of their business. Unlike supermarkets that try to never be out of an item, club stores normally don't cover out-of-stock items for their stores; if they are out of blueberries in the warehouse, they wait until the next shipment arrives. The club store customer is used to limited variety — no blueberries, no worries.

Many wholesalers do business directly with individual supermarket franchisees by what is known as "back-dooring" (bypassing the warehouse to sell to the store directly). As the grocery business continues to fragment, this business will dwindle. Many of the non-traditional retailers I mentioned have impenetrable distribution systems. If you're

not an approved vendor, you're not getting into that store.

For a wholesaler who is unwilling to address an unfamiliar marketplace, the future of produce retail does not look rosy. The current seismic changes in the way produce is distributed at retail will certainly impact the makeup of produce wholesalers' customer population. Those who have their heads in the sand and continue operating as they've done in the past may find themselves wondering where their sales went. Are you ready?

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