



Retail Best Practices Study

Initial Findings

January 2009

Study conducted by
The Mushroom Council and Encore Associates



Table of Contents

- Objective
- Executive Summary
- Mushrooms Value to Retailers
- Best Practices
 - Placement
 - Schematic
 - Assortment
 - Promotion
 - Pricing
- Test Results/Conclusion
- Methodology
- Appendix

Objective

- In 2008, in-store test was created to develop and prove Mushroom Best Practices and demonstrate how to help grow mushrooms sales and improve profits
- Create a document with simplified “proven” best practices which are easy to implement
- Utilize all Mushroom Council learning from past studies and develop a set of best practices and quantify the results

Executive Summary

We achieved an improvement of **6.1% sales increase** by following a few simple, but important best practices which any retailer can accomplish, including:

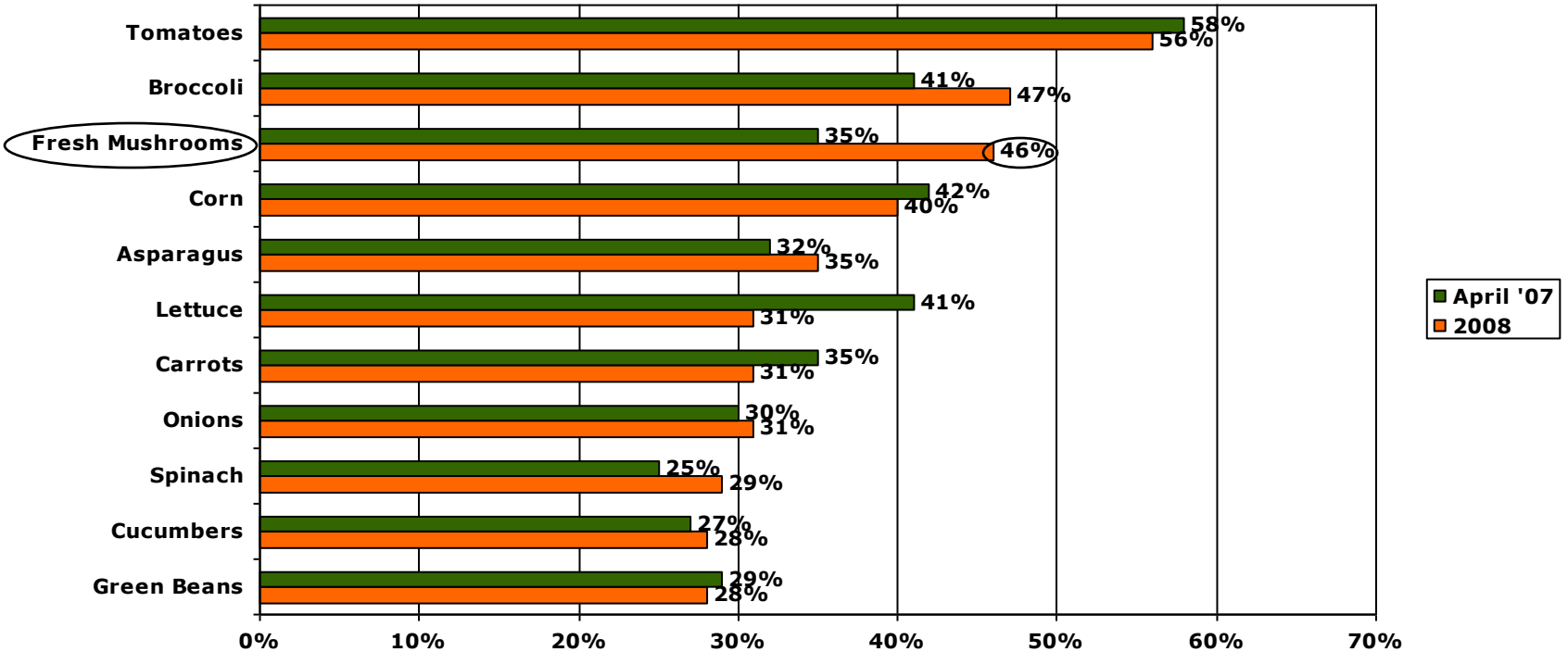
- Mushroom category placement next to bagged salad section
- Secondary displays
- Proper assortment and display
 - Larger displays of sliced, minimum 50% of display
 - Feature browns at eye level and minimum 20% of display
- Promote frequently and across the different sub-categories
- Cold chain temperatures are key to fresher product, longer shelf-life, better sales and less shrink

Mushrooms Value to Retailers

- Important to many consumers
 - Used as an ingredient in many different recipes and dishes; such as salads, steaks, soups, or meat substitute - #3 most favorite vegetable!
 - Transaction builder
 - Always purchased with other produce and store products
 - High quality and variety of mushrooms on display has strong halo effect on department and creates positive image for department and store
 - Larger basket size when mushrooms are purchased
 - Twice the size of average basket size
 - High sales per square foot
 - Sales share is double the square foot share; profit share is 3 TIMES the square foot share - Willard Bishop Grocery Super Study 2007 True Profit Report.
 - 11% of consumer fresh vegetable purchases/yr spent on mushrooms
 - Mushrooms have a wealth of nutritional benefits
 - Nutritionally on trend; low calories, low GI, no fat, antioxidants, **only** produce vitamin D source, “meat” for vegetarians, industry research supports breast and prostate cancer.
-

Important to Consumers: TOP-5 FAVORITE FRESH VEGETABLES

- Fresh mushrooms are third in overall popularity



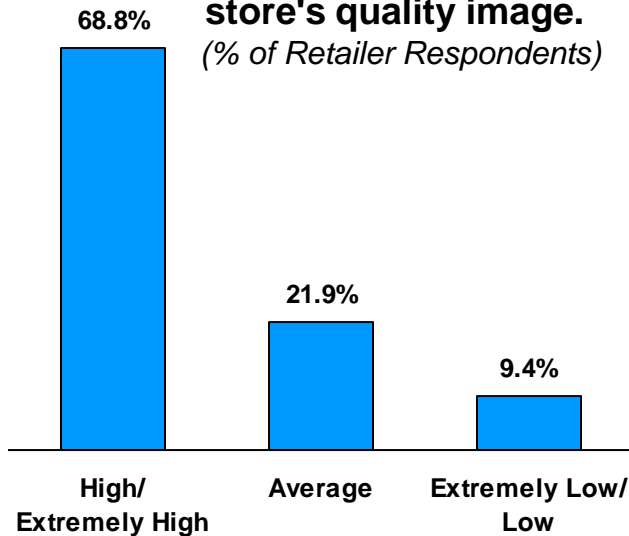
Rose Research: Consumer A&U Study, 2008



Mushrooms Impact Store Quality Image and Have a “Halo Effect” on the Entire Produce Department

Willard Bishop Consulting, Relevance at Retail Survey, 2007

Q. Rate the degree to which you believe consumers feel that mushrooms impact your store's quality image.
(% of Retailer Respondents)

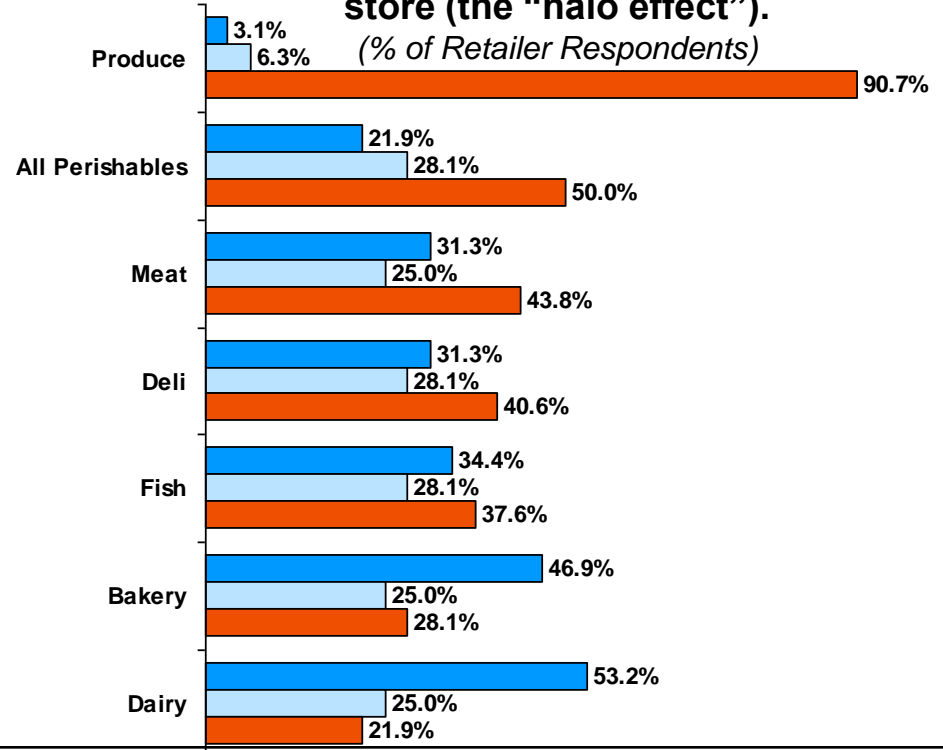


"Our consumers have high expectations when it comes to mushrooms and if they are satisfied or disappointed it bleeds over to the rest of the produce department and to the store as a whole."

-Produce Category Manager

n=32

Q. Rate the degree to which you believe consumers feel that quality and freshness of mushrooms impact the way they feel about the quality of the following departments in your store (the “halo effect”).
(% of Retailer Respondents)



■ Extremely Low/Low □ Average ■ High/Extremely High

• Market Basket Size

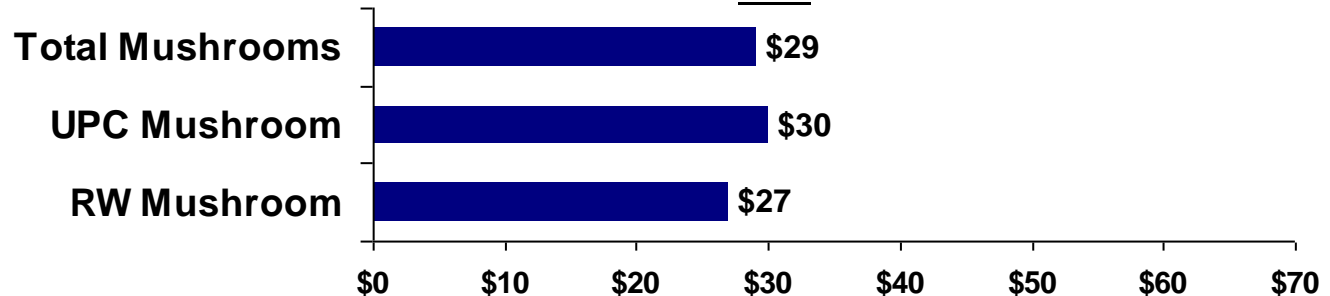
- The average dollar value of the shopping basket was \$58 when mushrooms were included. This is double the basket when mushrooms were absent. Mushrooms add significant additional shopping basket spending dollars to the retailer.



MARKET BASKET SIZE
When Mushrooms are in Basket



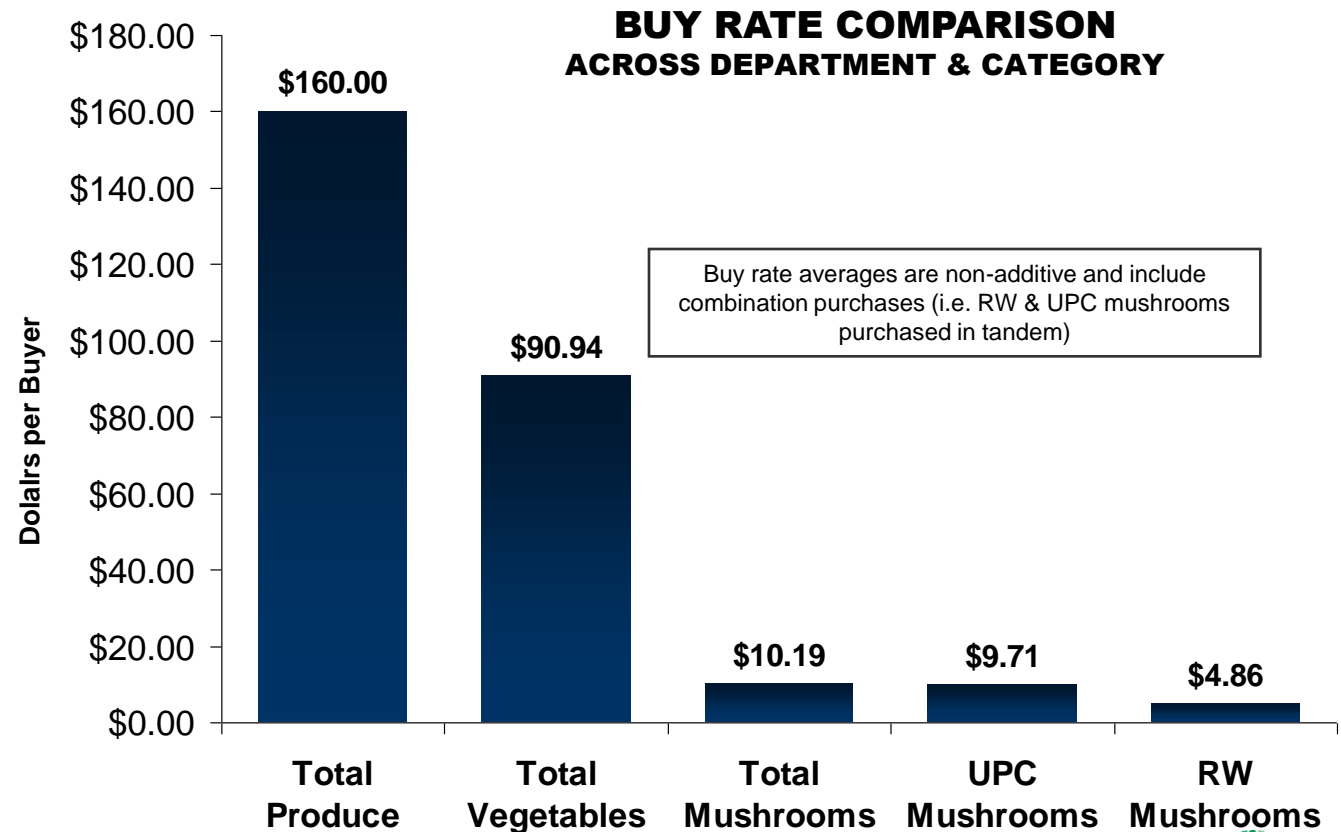
MARKET BASKET SIZE
When Mushrooms are Not in Basket



• Buy Rate Comparison

- The average consumer spends \$160 per year on produce, \$90 of which is spent on vegetable purchases, and \$10 is spent on mushrooms.
- **11% of fresh vegetable spend per year is on MUSHROOMS.**

AC Nielsen Homescan Panel Data, 2004



Best Practice: Mushroom Placement

- Next to the bagged salad section
- Secondary displays
 - Inside bagged salad section
 - Meat alternative healthy section
 - Organic produce section
- Mushrooms are an ingredient with many items prepared at home. Displaying next to salad case stimulates impulse purchases due to high traffic location.
- Mushrooms are a stable year round purchase and they benefit from secondary locations which is an impulse purchase. Actual test results showed strong sales when displayed in secondary locations.

Best Practice: Mushroom Schematic

- Brown mushrooms at eye level
 - Best growth trends of all mushrooms and more sales
 - Expand displays of Baby bella and portabellas
- Bulk mushrooms in the well
 - Creates positive customer image for category
 - Best performing stores have bulk displays
- Larger packages of whole and sliced
 - Trade customers up
 - Consumers are using mushrooms in many different recipes and as an ingredient to salads and pasta

Best Practice: Mushroom Assortment

- White & Brown dominate the category
 - White Mushrooms (70% of space)
 - Whole Bulk Section
 - Whole Packaged 6-8 oz, 12-16 oz
 - Sliced Packaged 8 oz, 10 oz, 14-16 oz, 24 oz
 - Sliced Organic 6 oz
 - Brown Mushrooms (20% of space)
 - Whole Bulk Baby Bella and Whole Portabella
 - Whole Packaged Baby Bella 6-8 oz
 - Whole Portabella 6-8 oz
 - Specialty and Value Added (5% of space)
 - Shiitake bulk, sliced 3.2- 3.5 oz
 - Oyster bulk, sliced 3.2 – 4.0 oz
 - Stuffed Mushroom
 - Dried & Value Added (5% of space)

Best Practice: Assortment Continued

- **White mushrooms** remain the foundation for a strong category
- **Bulk mushrooms** are key to category performance.
 - Data strongly indicates that bulk white, brown and specialty mushrooms play a small, but key role in driving superior category performance
- **Brown mushrooms** are increasingly important to category performance.
 - In general, higher performance in the brown sub-category is linked to higher overall category performance and more sales
- **Sliced packaged white and brown mushrooms** are growing faster than whole and allocation; should be 50% sliced or more of the category
- **Small packages 6-8 oz packages** of sliced and whole white and brown mushrooms are the items which new customers enter the category

Best Practice: Promotion

- Promote mushrooms at least **8 times** per quarter
- Discount mushrooms by more than **25%** when on promotion
- Promote packaged and bulk mushrooms together
- *Do not* promote packaged whole and sliced mushrooms together at the same price point.
- Feature multiple mushroom items in the same advertisement
- When promoting brown, specialty and dried mushrooms, include a white mushroom item in the same advertisement

Best Practice: Pricing

- Optimal category performance is achieved when sliced white mushrooms are priced higher than packaged whole mushrooms
- The pricing data indicates that bulk white pricing does not play as significant a role on volume, dollars sales as seen in packaged white mushrooms. Therefore, bulk whites can be priced higher without damaging performance.

Best Practice: Cold Chain Management

- Cold chain review and monitoring
 - Ideal temperature under 35 degrees
 - Storage throughout distribution and store cooler at ideal temperature
 - Rotation of product at store level
 - Displays with mass appearance but use case techniques to display minimum product to maintain proper sell through especially for low volume stores
 - Display and merchandising according to plan
 - Proper ordering

Test Results

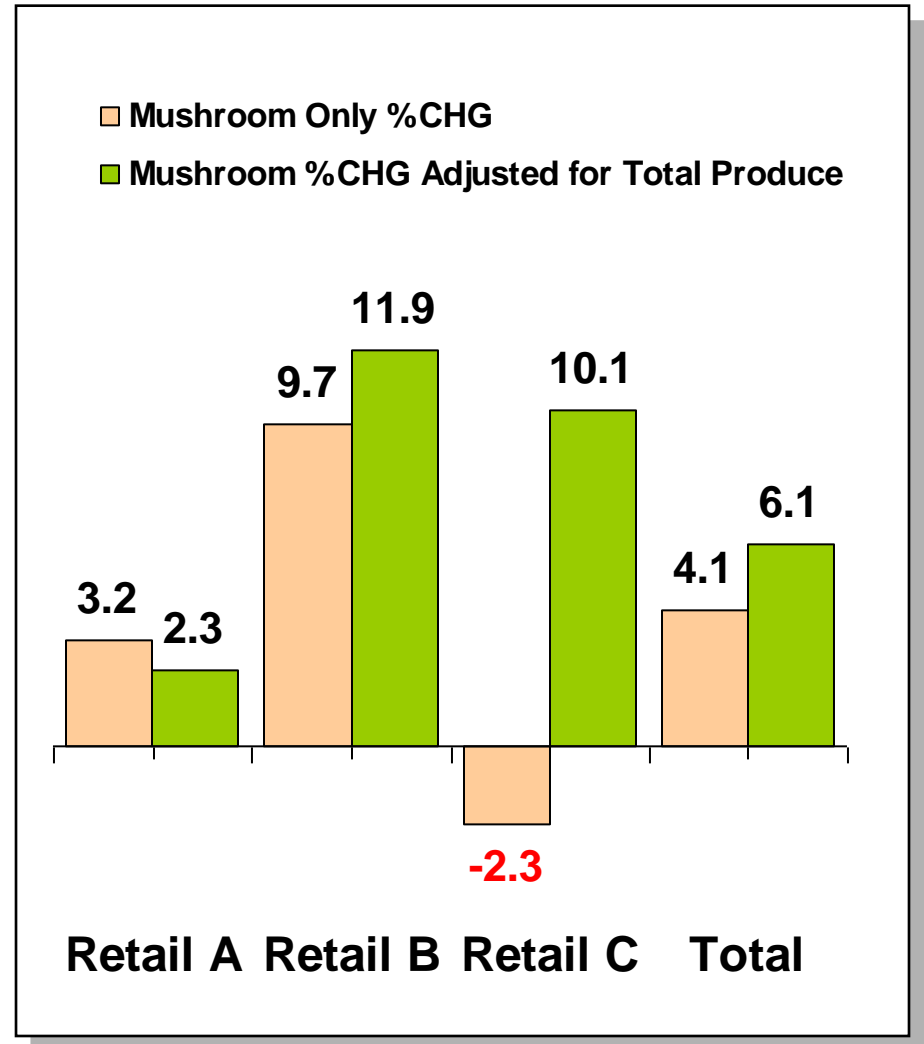
- **Overall improvement +6.1%**
 - Equivalent to over \$44M sales improvement
 - Units improved 7% and pounds improved 7.1%
- By marketing area
 - Retailer B +11.9%
 - Retailer C +10.1%
 - Retailer A +2.3%
- Markets selected based on geography and CDI
Retailer A= low CDI; B= hi CDI; C= low CDI
- Timing = non holiday

Conclusion of Testing Best Practices

- These best practices have proven to improve overall mushroom sales in the test stores compared to control stores.
- Sales improved **overall 6.1%**, the equivalent of an additional \$44 million dollars of US sales at retail.
- Fresh mushrooms are an important contributor to overall produce sales +2% and are one of the highest profit per square foot items in the entire produce department.
- Mushrooms contribute to overall store sales by increasing the basket size as an ingredient with pasta, meat and salads.

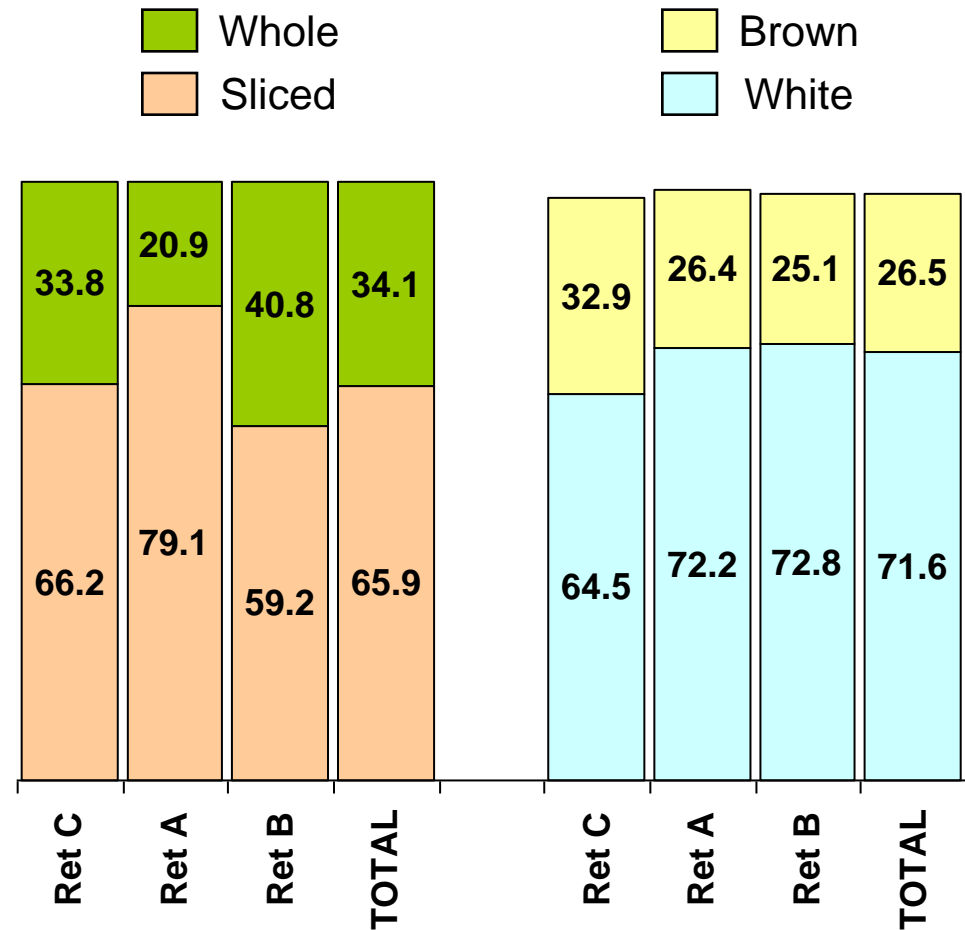
Retailer Results

- Just calculating mushroom sales, Test stores improved +4.1% greater than control stores.
- Factoring in changes in Total Produce sales for each store: Mushrooms' posted a +6.1% higher per-week sales variance.
- +6.1% = +\$44M Retail Sales



Retailer Results

- Mushroom **Type** Results
 - Whites 71.6% and Browns 26.5% of total Dollars
 - Brown and specialty mushrooms had double digit growth
 - Brown +22.3%
 - Specialty +23.9%
 - Whites -9.2%
 - Sliced = 65.9 Shr of Dollars vs 34.1 Shr for wholes



Methodology

Testing Best Practices

- In Spring 2008, these best practices including cold chain management, merchandising assortment and schematic display and placement were tested
 - Past studies commissioned by the Mushroom Council were incorporated into a hypothesis for best practices. These were implemented with 3 retailers in different markets. We measured the results of sales, units and pounds to validate best practices.
 - Final best practices concepts to keep it simple: variety, schematic, location near salads, secondary displays and weekly reminders on best practices on cold chain.



Thank you



Appendix

Assortment Best Practices

Mushroom SKUs Included in Study

White - Bulk

Mushroom, Regular, Large
Mushroom, Regular, Small
White Mshrms Bulk 5#

White - Packaged

Baby White Pearls
Fresh Mushroom 16z
Jumbo Stuffing Mushroom
Large Mushroom 1#
Mini Mushroom 4z
Mushroom Sampler
Mushroom, 12z
Mushroom, 24z
Mushroom, 8z
Mushrooms, 40z
Mushrooms, 6z
Organic White, 8z
Premium Gourmet Mushrooms
Prewashed Sliced White 4z
Prewashed Sliced White, 8z
Select Family Pak, 40z
Sliced Mushrooms, 20z
Sliced Steak 8z
Sliced White, 8z
Steak Mate Thick Sliced 12z
Stuffer Caps 12 ct
Stuffer, 10z
Stuffer, 14z
White Pom Pom
White Whole Fancy Std 1#
White Whole Fancy Std 10z
White Whole Fancy Std 24z
White Whole Fancy Std 8z
White Whole Prem Stuffer, 1#
White Whole Prem Stuffer, 14z
White Whole, 10z
White Whole, 12z
White Whole, 6z
White Whole, 8z
Whole 16z, GG
Whole Washed Premium White 16z
Whole Washed Premium White 8z

Brown - Bulk

Cremini/Brown
Portabella

Brown - Packaged

Baby Bella Stuffers
Baby Bella, 10z
Baby Bella, 6z
Baby Bellas 8z
Baby Bellas Sliced 6z
Baby Bellas Sliced 8z
Baby Brown Pearls
Crimini Whole Std 6z
Italian Brown/Crimini 12z
Italian Brown/Crimini 8z
Italian Mushroom
Org Portabella Caps
Org Sliced Portabella
Organic Baby Bella
Portabella & Sauce
Portabella Burger/Caps
Portabella Caps 6z
Portabella Caps, 14z
Portabella Hickory
Portabella Mushrooms
Portabellini GG 6z
PortaBlanca/SW 8z
Sliced Portabella, 6z
Sliced/Cap Portabellas
Washed Sliced Crimini
Washed Whole Crimini

Dried

Blend Whole Dried 1z
Dried Chanterelle
Dried Gourmet
Dried Italian Blend
Dried Lobster
Dried Morel, 1z
Dried Mushroom 1z
Dried Mushroom Shiitake Tub
Dried Mushrooms Mixed Wild
Dried Mushrooms Oyster
Dried Mushrooms Porcini
Dried Mushrooms Shiitake
Dried Oriental Blend
Dried Paddy Straw
Dried Pasta Blend
Dried Porcini
Dried Portabella
Dried Portabella Sliced
Dried Poultry Blend
Dried Sauce Blend
Dried Shiitake Sliced, 1z
Dried Shiitake 0.5z
Dried Soup Mushrm
Dried Steak Blend
Dried Stir Fry
Dried White 1/2z
Dried Whole Boletes, 1z
Dried Wild Porcini 0.5z
Dried Woodear
Enoki
Padi Straw
Porcini 1z Dried Mushroom
PR Mushrm & Garlic Ssng 4z

Specialty - Bulk

Black Forest
Chanterelle
Enoki
Morel
Oyster
Shiitake
Wood Ear

Specialty - Packaged

Beech Mushrooms
Black Trumpet
Chantrelles 3.2z
Enoki
Enoki, 3.2z
Lobster
Maitake
Mushrooms 3.5z
Organic Shiitake
Oyster
Shiitake
Shiitake Sliced
Wood Ear

Value Added

Asian Mushroom
Gourmet Medley
Organic Variety
Oriental Mushroom
Portabella, Bacon Cheese Stuffed 8z
Portabella, Crab Stuffed 8z
Stir Fry, 4z
Stir Fry, 6z
Stuffer Combo 6z
Variety Pak
Wild Mushroom