

Workshop Title: Considerations for Selling to Grocery Chains

Speaker(s) & their title(s): Matt Dykerman, *Red Soil Organics* and Krista Schurman, *Schurman Family Farm*

Executive Summary

Matt Dykerman and Krista Schurman share their experience and knowledge in selling organic produce to grocery store chains. They provide an overview of the grocery store marketplace, how to gain access to the market and the important, mainly digital, paperwork that must be done to ensure success. Both Matt Dykerman and Krista Schurman operate organic produce farms on Prince Edward Island that sell to a variety of grocery store chains. Schurman Family Farm recently completed a large expansion based on their confidence in grocery store chains as customers.

Detailed Notes

Matt Dykerman

Understanding the Marketplace

- There are a few things to understand about grocery store chains before you start selling to them.
- There continues to be a lot of consolidation of grocery store chains and there are very few parent companies.
- Many banners are all owned by the same parent company and the purchasing is done by the same people at the same places for all of these different banners.
- Making visits to stores is an important way to see what's going on in each grocery store and the unique aspects of that store.
- Visiting stores is also a good idea to know what other products are on the shelves and their price points whether or not you supply these products.
- Once you are in a marketplace it is important to check up on your product to see how it is doing. If you notice any problems with your product you can discuss them later with your buyer. Taking photos of any problems can make it easier to communicate the problem.
- One example is if your product is not selling quickly enough and the product quality has started to decrease but it is still on the shelf. This is important to discuss because it can have a negative effect on your brand's reputation.

Accessing the Marketplace

- There are two main ways to access the grocery store market: to go through a broker or go directly to the store.
- Matt finds it easier to go directly because the lines of communication are shorter as you are communicating directly with the store rather than through a broker.
- However, brokers are also useful when warehouses are hard to access or the customer base is farther away.

Bring Product to Marketplace

- There are several different ways to get products into grocery stores
- The two main strategies are to ship to central warehouse or to deliver directly to grocery stores.
- Matt states that the packaging and labelling is almost as important as the product itself.
- The packaging catches the eye of the consumer in the store and sets your product apart from other products on the shelf.
- Price can be tricky to determine and the two main considerations are ensuring that the farm and the store are both making a profit.
- Another aspect of selling to grocery store chains is ads and promotions.
- Often you are able to sell the store a large volume for a promotion but you will need to sell the product at a slight discount.
- Overall, Matt finds that ads and promotions are worth it.

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- Food safety is also very important to grocery stores.
- This may be GAP (Good Agricultural Practices) but you should discuss with the store to find out what food safety program they want you to follow

Building Sales Programs

- It is important to understand difference between customer and consumer: the customer is store and the consumer is end user.
- Grocery stores have a lot of power and influence but it can take them awhile to steer in a new direction.
- Each grocery store chain has different focus such as house brands, a lot of local produce, good customer service or lowest price.
- Most stores have a mix of these priorities.
- It is important to know the focus of the grocer you've chosen to work with.
- Keeping lines of communication open with the grocer is important for a successful working relationship.
- Many stores have easy access to data such as sales and shrink numbers that you can go over in your annual review with the grocer.
- Shrink numbers are important to know to give you an idea of how your product is doing and high shrink numbering are worth investigating.

Krista Schurman

- Krista's farm, which she owns with her husband grows many greenhouse tomatoes and english cucumbers. They sell to Sobeys and Loblaws.
- They have formed partnerships between farm and these grocery store chains.
- They now have product 52 weeks a year with lighting that they installed in 2014. They were confident that they would get a return on this investment based on their relationship with these chains.

Direct Store Delivery

- Most paperwork is now electronic and it is important to be comfortable with that.
- Most payments are automatic deposits into your bank account

Distribution Centers

- Krista sends forecasts of what their farm will have available for the upcoming weeks so the buyer can create their purchase order for the next week.
- Their farm has an easy to follow process for discrepancy on deliveries.
- Grocery stores will not pay if the purchase order is missing so this is very important!
- They attach a packing slip on every shipment.
- If you create your system to reduce your chance of making an error, everything will run more smoothly. For example, using the same document for your packing slip and the data you enter in your account system reduces the chance of making a typing error.
- They use I-trade, which is an online system for Loblaws: when you make changes in program the information goes back to the buyers.
- There is an annual and monthly fee for the I-trade system so it is not cheap but they find it worth it.
- This system is only needed for sales to distribution centre not direct sales to individual stores.

Chep Pallets

- Chep Pallets is a company that rents pallets for deliveries. They charge a rental fee for pallets and ensure that the pallets are not damaged, cracked or damaging product.
- Once pallets are shipped the daily fee is transferred to the store.
- The fee is \$0.08 - \$0.10 per day per pallet.
- Taking photos of orders on your smartphone means that it is easy to make sure everyone is on the same page.
- Krista also emphasizes the importance of open communication between the farm and the store.