

TOP OF MIND

Retailers balance the best mix of organic, natural and eco-sensitive fresh foods against realistic profit potential

By MINA WILLIAMS (FNS)

Nowhere is there more excitement regarding the growth of natural and organic foods than in the fresh food categories, where for many years, confusing regulations and self-styled health claims prevented consumers from fully trusting perishable offerings.

But the implementation of the National Organic Program has created an umbrella effect that not only has touched organics, but those items allied with the entire whole health and wellness trend influencing American buying habits. The positive impact is helping categories like natural and sustainable agriculture products gain retailer attention and shelf space. However, most operators are still working within a learning curve as to merchandising, mix and promotion.

"There is no magic strategy," said Phillip Nabors, president, Mustard Seed Market & Café, Akron, Ohio. "You have to know your customers and consider why people want organic products. These items represent a great opportunity for retailers to embrace their customers."

Product proliferation and new guidelines in the natural and organic classes has enabled supermarket owners to offer up selections in all of the perishable departments-produce, bakery, dairy, deli, seafood and meats. But industry observers warn that retailers need to first understand the unique selling proposition these items present.

"Once a retailer gets involved with organics, it is simply not the case of offering item-for-item the same assortment of products," said Laurie Demeritt, president, The Hartman Group, a Bellevue, Wash.-based research firm. "Retailers have to be careful and optimize efforts in the categories they want to get involved with, the ones where the growth is."

Evaluating product assortment and position has spurred Larry's Markets, Kirkland, Wash., to embark on a long-term market research and branding plan

in an effort to bring clarity to its come-to-market strategy.

"A lot of our decisions play into our emphasis toward natural and organics," said Mark McKinney, chief executive officer of the six-store chain. "It's a long-term trend and the categories will continue to grow as more companies realize they can develop products, particularly perishable items."

But simple expansion of product availability and consumer demand aren't strong enough guideposts for retailers, who are still stuck with determining which organics sets are most profitable in perishables, experienced operators say.

"Most everyone offers three organic milks with sour cream, yogurts and some cheeses," said Nabors. "But once a consumer buys into the organic proposition,



they want the whole deal. They want eggs, cream cheese, ricotta. It becomes an ever-expanding set.

Unlike dairy, meats and related proteins present special challenges, since their NOP inclusion is relatively uncharted territory, he added.

"With package grocery items, the product is what the product is," Nabors said. "When you are dealing with meat there are many factors-how the animal was raised, slaughtered and processed. These are not normally disclosed on labels. These are topics customers are not used to hearing. But consumers are demanding more information and accountability."

There are many motives to buying organic and natural products, experts say. Demeritt of the Hartman Group cited becoming a parent and health diagnoses as

the leading reasons consumers seek out organics. Simple word-of-mouth reports from family and friends about the flavor and health benefits of organics come in a close second.

"The bigger issue is bringing authenticity into their lives," Mustard Seed's Nabors said. "People want to connect with what is real. They want control in their lives, since they have so little these days. This can be accomplished through food and serves as an opportunity for any retailer to connect with customers' deepest desires."

Bellingham, Wash.-based Brown & Cole is embarking on a new program that highlights local and regional farmers in its largely rural marketing areas.

"Our marketing strategy is focused on local products in local stores," said Susan Cole, public affairs director. "In our western Washington units, we showcase apple growers in that area; in our eastern Washington units, we showcase local Wenatchee-area growers."

To punctuate this position, Brown & Cole is referring its suppliers to The Food Alliance, Portland, Ore., an organization that monitors farmers and producers for environmentally and socially responsible production standards. Once growers or producers pass The Food Alliance criteria, seals can be affixed to products.

"We are not a food safety organization," said John Young, national director, market development. "Rather we look at social and environmental factors."

Certification requirements paint a broad picture covering pesticides, soil and water conservation, wildlife and safe and fair working conditions for workers.

"Customers in our area, because many have ties to the land, have respect for the environment and people working in that environment," said Cole. "Labels have been just one piece of the marketing pie. People want to know not only where, but how items have been grown, if the livestock has been humanely handled and if the workers are treated well. They want uniformity with labels and information throughout the store."