Want To Help The World While Helping The Industry? Reduce Online Out-Of-Stocks

Jim Prevor’s Perishable Pundit, September 9, 2021

The produce shelves of today’s retail stores are filled with innovative produce items, which offer flavor and convenience, new eating experiences and more. From new varieties of apples and grapes to innovative fresh-cuts and packaged items, one would think that this explosion of innovative activity would have led to substantial increases in produce consumption. Yet, the Produce for Better Health Foundation has studied the matter and tells us that this is not true; all the innovation the industry has done has not served to increase per-capita produce consumption. Here is the headline from PBH:

“The results are in. As a society, we are chronic underachievers at eating our fruits and veggies and, subsequently, we are short-changing the health and well-being of generations of Americans. In 2020, PBH commissioned an update to our trended fruit and vegetable consumption research. Sadly, the news is not as encouraging as we would hope. America’s fruit and vegetable consumption continues to erode over time.”

Part of the problem is that much innovation results in the replacement of one produce item with another — with no net increase in overall consumption. If my practice is to buy a bagged salad to eat at lunch in the office, and a fresh-cut company comes up with a new blend that I try and I prefer, the company with that great new blend will see its sales increase as it takes market share from less innovative competitors. Yet, all this innovation won’t have moved the needle on consumption at all.

The same thing happens with many trendy products. There was a moment when kale was all the rage. Restaurant after restaurant removed spinach as a side dish and replaced it with kale. The net result on consumption… not much, if anything at all.

Sometimes, though, the new item may carry a premium price. There is some indication in the data that even if consumption remains flat or is declining, superior or innovative items are allowing both producers and retailers to make more money and gain a larger share of consumer expenditures.

Sometimes we get both: so innovative products in, say, the beet category, will boost consumption of beets and will capture a higher price per pound, delivering a double win down the supply chain. It would seem that this type of innovation should boost overall produce consumption; that people who previously would have snacked on candy or cheese or something else, now are snacking on produce. Yet the numbers tell us that, overall, we haven’t made progress. The implication is that if people snack on more produce, come lunch or dinner, they eat less. It is quite a conundrum for the industry.
Eating habits are hard to change. If a family serves a protein, a starch and vegetable for a meal, even the most innovative new vegetable offerings are unlikely to change the level of consumption of produce. Consumption increases have to come from changing the basic meal pattern, say by replacing that classic plate — a large protein offering and two sides — with, say, a stir fry, where the vegetables are the star and the protein a kind of flavoring. These are cultural changes that are not easy to accomplish.

We could use some research on whether marketing fruit in a different way would lead to increased consumption. It is not uncommon to visit a supermarket and find that, for example, in the grape category the store will offer several high flavor proprietary varieties. The same store, though, will have on sale the cheapest grape it can get. With the low price and the sale comes a giant display put at the front of the store.

People enjoy grapes… it is a popular fruit. Offering an inexpensive grape appeals to people’s budgets and allows a store to compare favorably to other retailers’ ads. But does the strategy of offering lower priced fruit lead to greater consumption in the long run? The lower priced fruit will lead to greater sales this week. Yet, perhaps, offering a superior quality grape, at a higher price — possibly requiring more sophisticated and extended marketing, in-store sampling and, probably, an extended time frame for consumers to develop preferences and recognize the value — will ultimately result in the better quality product leading to higher consumption in the long term.

Of course, the produce industry is, in a sense, asking retailers to do what in other fields the brand-holders do. Supermarkets in dry and frozen items typically rely on the producers of the product to market and build demand. Few produce companies have the ability to do much of this.

Though this may be changing. Publicly held produce companies or those with private equity have access to more resources. If they also have proprietary varieties and consumer-oriented brands, it may be possible to justify marketing investments that have been rare in the produce industry.

It won’t be easy… Companies with funding that are still selling common varieties will be hesitant to add marketing costs with fear that their competitors will underprice them. Still, as proprietary varieties become more common, we can expect marketing spending to increase.

WHERE DOES THIS FIT IN WITH ONLINE SHOPPING?

Still, some problems should be addressed. A big one: We should at least be able to keep products in stock, especially the smaller volume, more innovative products that hold the hope of boosting consumption. The industry has a problem here, and the growth of on-line shopping has made it more evident. Typically physical stores do a good job of obscuring out-of-stocks in produce. They try to remove signage and eliminate empty spaces so the shopping experience is seamless.

With the growth of online shopping, however, and the inability to quickly remove out-of-stock items from an Instacart page, the failure of the industry to keep things in stock has become evident. The Jr. Pundit Primo, aka William, has taught us lessons about produce all his life, and we’ve memorialized some of these lessons in pieces such as Little Taste Bud, which was published in the April 2003 issue of Produce Business, more than 18 years ago.

Now William is in college, enrolled at Cornell University, studying in The Hotel School, the hospitality arm of the SC Johnson College of Business. He moved off campus this semester, and now has his own kitchen. For William, it is a great thing. He is a great cook and likes to do it. Getting ingredients is not a problem, as there is a great Wegmans store in Ithaca, NY, and we set him up on Instacart so he can order all he needs.
What is shocking is how often produce items ordered online are out of stock, and very often he is in class when the shopping is being done, so he is not available to interact with the shoppers to make equitable substitutions.

Still, he is just one person and maybe not as big a vegetable buyer as his parents would like, with a typical order sometimes having five or six fresh produce items. There are, however, out-of-stocks in fresh produce in almost every order he has placed. On the day this piece is being written, William couldn’t get a container of mixed grapes that Wegmans sells online. Then, when we tried to replace it with separate orders of red, white and black grapes, he was told there were no black grapes.

As a cook, William likes to have the Wegmans Diced Mirepoix on hand — basically a combination of diced onions, carrots and celery. This item was out of stock as well, and no replacement recommended. This week these were the two problems; the previous week different items were out of stock. One week, he couldn’t get the Wild Violet Sweet Corn that, with its purple and white bi-color look, caught his eye. He has never been able to have an order 100% filled.

Typically these are the specialty items that the industry needs to gain interest and build consumption. But it is not just a produce issue. He was planning to prepare a special meal for a special guest, so he ordered Wagyu beef — they were out of that as well.

Wegmans is one of the premier supermarket chains in the world. They are really among the best of the best. If even Wegmans has these kinds of problems, then the produce industry is disappointing countless customers all over the country, every single day.

Much of the items we disappoint on are the lower volume, most innovative products. These are the exact sort of products we are counting on to build new demand and increase consumption.

During the pandemic, many retailers moved toward a “basics” strategy, reducing assortment to make room in stores and on trucks for necessities and pandemic supplies. Today logistics are so difficult that the temptation is to do the necessary and no more.

However, we can’t let that be good enough. Do you know one thing we learned during the pandemic? It is that obesity is one of the great risk factors for getting hospitalized or dying with COVID. Public Health England has estimated a Body Mass Index (BMI) of 35 to 40 could increase a person’s chances of dying from COVID-19 by 40%, and those with a BMI greater than 40 can increase their risk by 90%.

We can, and should, tell people this, in the hope they will help themselves. Yet the greater contribution the industry can make is to partner with retailers and restaurants to expand the offering and availability of innovative and interesting items so those produce consumption numbers will start to turn upwards.

Better produce through superior varieties, innovative packs and blends, consistently available and promoted. If we help the world, we will help the industry as well.