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NEWSLETTER

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Merchandise Food as Meal Solutions --- Not Commodities

Supermarket sales are flat, but they don't have to be. Conventional ways of producing, processing, packaging and selling have a declining future. There is, however, a new concept that is somewhat of an awakening in this mature and intensely competitive market. That was the message from Professor John Allen of the Food Industry Alliance, Michigan State University, speaking to delegates at the recent Ontario Processing Vegetable Industry Conference.

To win in the food business in the 21st century, John Allen says you must think change; think speed; think value; thing systems; and think like your shoppers.

The food industry has done a good job of making products more convenient and simple to prepare. But Mr. Allen says, "we have fallen short of putting our products together with other items that will add up to a meal solution. That's the concept we have to present to today's consumer."

Allen said, "It used to be if you planted a supermarket anywhere you were a hero. You just waited a few days and houses grew up around it. So the supermarket was king of the hill. But now sales growth is about as flat as this room while the food service sector will grow 6% this year and 90% of that will be take out. My point is the conventional way of selling your products in supermarkets is falling behind."

While the consumer has changed, the way we try to market to them hasn't changed enough. Mr. Allen sums the change up this way. "Time pressures have lead to new priorities for consumers. These new priorities have meant that old household practices are being discarded. They'd rather take the kids to Scouts or help them with their homework and send out for pizza for the second night in a row. They are looking for convenience at almost any cost."

Mr. Allen believes, "the link is we've got to market our food in terms of meal selection rather than food shopping. The driving desire to satisfy the family has not changed in the past 30 years. But today's shopper has limited cooking knowledge and/or time. That sets up a tension. At 5:45 p.m. something like 70% of the people responsible for tonight's dinner do not know what they will serve." This is a real opportunity for marketers if they can position your products to solve this dilemma. "So if that is what is on the person's mind, how are we going to get to that? If we are going to participate in this meal solution, we have to address menu design, easy shopping and convenient, simple preparation."

According to Mr. Allen, the supermarket's first response was simple. "We gotta cook the food for these people!" they said. The whole industry stepped into this method of meal solution. A couple of years later, Coca-Cola did research that showed the supermarkets couldn't make money this way. So the supermarket industry went from meal solution, "WOW!" to meal solution, "OW!" and now its asking, "HOW?"

Referring to products produced by people in the audience, Mr. Allen asked, "so how do we move your can of corn into a meal solution and in so doing, move it to a more inspired location in the store? If you stay in the aisles in the middle of the store, you will miss the opportunity of selling your marvelous corn in the context of a meal solution. When you put it in a meal solution, you can sell it for full price and you have added value to the consumer. Otherwise, if current trends continue, your product will lose favour."

"This is the new paradigm. We have to move from 'products-on-display' to 'products-on-the-menu'. Your canned corn has to be clustered with other complimentary foods in a convenient part of the store. Your canned corn has to be presented as part of a complete menu accompanied with simple to prepare instructions. We have to transform the supermarket from an array of separate, unrelated categories into meal solutions. The cereal category, for example, becomes the breakfast area where milk and fresh fruit are also sold."

Mr. Allen then showed examples of experimentation going on in supermarkets. He showed the breakfast solution described above. Another example featuring the fresh soup brand, Crockpot, clustered with vegetables for a salad to accompany it. From a D&W supermarket in Michigan, the example was given that they pick one meat item with a recipe each day. They cluster all the items that go with it and throughout the day a chef starts preparing samples. That store reports they are able to move meal products that would otherwise lay there because consumers simply don't know what to do with it.

Will people pay for this? What is the price:value relationship? Location in the store is very important to this. Mr. Allen illustrated this with a photo of a meal solution display set up near the front of a store. In that convenient location, they can sell some foods at a high price that wouldn't move in other departments. Take barbecued ribs, for example. Up front in a meal context, it will walk right out of the store. As another example, cut fruit does so well there, and it's a pricey product, that they no longer sell

it in the produce department. They only sell it in the convenience counter. Remember, this is food's moment of value, when it's 5:45 p.m. and you have added value and service for the consumer. They're glad you did it. They say, " I don't care what that cut of melon costs. It's not exorbitant. I can afford it" And off they go.

In his conclusion, Mr. Allen asked, "isn't there more that can be done to resurrect your can of corn from the supermarket aisles out to the store's perimeter where things are really happening? If you had to write down a statement that needs to be ingrained about the meal solution it is simply this: all the ingredients for a complete meal bundled and merchandised for the convenience of: a menu idea; shopping; preparation; and serving the meal."

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Supermarket Evolution Needed Vision

Consider the saga of King Kullen. In 1930 the average grocery store was 600 square feet, had sales of \$600 per week, was located in the town centre, and incurred high labour costs since few items were available on a self-serve basis. Michael Cullen, a manager for Kroger's in Illinois, felt sure that these characteristics would drive the industry into obsolescence.

He wrote to the vice-president to suggest changes. Cullen proposed increasing store size to 5,800 square feet and locating three blocks from the high-rent downtown. He suggested lots of parking and wanted 80% of the items to be self-serve. He also laid out pricing strategies and an advertising plan that bears a remarkable similarity to what we are used to in the year 2000.

The vice-president not only turned down his idea, but refused to see Cullen to discuss it further. Cullen went on to establish his own chain of 15 supermarkets in Long Island, New York, under the name King Kullen. He did it in less than six years.

After Cullen left, Kroger reconsidered his ideas and by 1935 had 50 supermarkets, six with parking lots.

The preceding is an excerpt from a strategic planning book written by Eileen Shapiro. Shapiro uses this example to show that "visions grow out of mindsets and passions, not mechanics and process. Any vision that does not capture the mindsets and passions of those who control the resources required for its implementation stands little chance for success."

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OFPMC March Update:

National Quota

The Ontario Broiler Hatching Egg and Chick Commission (OBHEC) received the Commission's support to administer a quota transfer purchase from British Columbia to Ontario producers. The quota purchase will result in a gross revenue increase for Ontario producers of \$5 million annually. While OBHEC is acting as a co-ordinator for the transfer, the quota is being purchased and paid for by individual

producers.

In its presentation, OBHEC clearly showed that it had exhausted every available means at its disposal to have the national allocation system amended to reflect Ontario's need for increased quota. Ontario's attempt to have the issue mediated was thwarted by one abstaining province. The offer to purchase quota from British Columbia became the best alternative to Ontario producers.

The Ontario Farm Products Marketing Commission remains frustrated with the national system's inability to rationalize the allocation system when it is clearly out of step with the marketplace.

CFO Plan

On February 8th, Chicken Farmers of Ontario (CFO) submitted a plan to the Commission which proposes a method to revamp the existing allocation and pricing system. The Commission has reviewed the plan and will meet with CFO to discuss outstanding issues.

Pork Board Review

The executive of the Ontario Pork Producers' Marketing Board had a periodic review meeting with the Commission in February.

The board reviewed its activities and outlined actions it has taken on behalf of producers in the areas of research, environmental responsibility and marketing.

The board's Chair, Mr. Will Napp also informed the Commission that he has decided to not run for an elected position with the board at their March annual meeting.

In the last ten years, the selling of hogs in Ontario has transformed from an auction system to contracting. At the same time, the processing industry has seen major consolidation. According to vice-chair, Mr. Clare Schlegal, while direct contracting has improved supply chain co-ordination, he continues to hear producers say they need to have a collective voice or risk having no voice at all.

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