

Potato-Cast Transcript: Potatoes at Retail

Cervantes:

Hello everyone! Welcome to today's episode of *Potato-cast*. A Potatoes USA podcast, full of all of your favorite potato industry content.

I'm Natalia Cervantes, Potatoes USA Conversation Architect, and your host.

Today I'm excited to have my guest. Kayla Dome. Potatoes USA Global Retail Marketing Manager. Kayla, welcome to Potato-Cast

Dome:

Thanks, Natalia! It is great to be on the show.

Cervantes:

I know many of our listeners already know you, but can you give us a little background on what you do at Potatoes USA.

Dome:

Absolutely! I've been with Potatoes USA about three years, and I manage the retail marketing programs both domestically and internationally. I work to educate retail decision makers as well as our industry on how the industry can sell more potatoes in grocery stores.

Cervantes:

And retail has certainly been a point of interest over the last year.

So, let's get right into it. What's happening in the retail sector?

Dome:

As we have mentioned many times before, we saw consumers go from eating mostly out to eating mostly at home just over a year ago. In fact, 84% of consumers were still eating the majority of their meals at home even as we entered February of this year.

This has impacted retail in many ways, but most recently we have seen the shoppers continuing to embrace online grocery.

As March 2020 experienced the highest retail sales in history for fresh fruits and vegetables, it also began a significant growth in online grocery ordering. March 2021, was expected to decline in sales compared to 2020 but specifically online grocery sales saw a 43% increase in online sales compared to 2020. That's a \$9.3 billion dollar sales increase for that online category.

Cervantes:

Wow! That is a significant increase for online. And to help our listeners better understand this information, just define for us online shopping and what does that include?

Dome:

It includes sales for home delivery from grocery stores, ship to home delivery which refers to deliveries from retailers without brick and mortar locations, and store pickup. In fact, store pickup makes up the largest share of online sales and saw the largest growth alongside home delivery. A total of 69 million

households ordered online in March 2021 on average about 2.8 times that month. The number is smaller than March 2020, but the number of repeat purchases increased.

Cervantes:

Online is definitely becoming more common in the grocery buying process. What do the numbers look like for in-store sales then? Are we seeing growth there?

Dome:

That answer is two-fold. When looking at the March 2020 through February 2021 time frame, retail sales for total store have increased every month compared to the previous year. But as for March 2021, as we predicted, there is a decrease in sales when compared to March 2020. It is very important for everyone in the industry to recognize that it will be impossible to achieve the sales that occurred in the spring of 2020 when foodservice was basically shut down and panic buying was in full swing.

Cervantes:

Should we be worried about this?

Dome:

No. Consumer demand is still strong. For example, when looking at sales for March 2019 compared to March 2021, the demand for potatoes is still increasing.

We need to remember that what we saw in March 2020 was not only unprecedented, but it was an exception. We cannot look at March, April, May, or even June of 2020 and call it normal. We have to look at sales for those particular time periods compared to 2019.

Cervantes:

That is a really good point. And I'll attach the 2019 March sales report to this episode's page for reference.

Tell me more about the fresh potato consumers. Are they still driving those larger baskets?

Dome:

Thanks for asking, Natalia. Fresh potatoes are still driving larger baskets with the average basket size for 2020 coming in at \$91.79 when potatoes are in it. This is compared to \$77.94 in 2019. This is consistent with most retail baskets over the last year, but we saw an increase in the number of times consumers bought fresh potatoes too. It is really great to see this increase for fresh potatoes and the overall basket size for retailers, but what was most exciting was the increased demand for potatoes outside of the produce section.

Cervantes:

You're talking about frozen and dehydrated potatoes right?

Dome:

Yes. Frozen potatoes and dehydrated potatoes are part of the center store area of the grocery store. Prior to 2020, consumers were rarely venturing into the center store and in fact, sales in this area were declining. But, in March 2020, consumers packed every item they possibly could into their baskets. This did a lot for potatoes. We did have to wait to see if this purchasing pattern would stick and if consumers would come back to buy those items again. And the good news is that they did.

For the first time in recent history, we saw the fresh potato consumer also consistently buy frozen potatoes.

Cervantes:

Well I'd call that consumer crossover a win. Any insights on what's keeping the fresh potato consumer coming back to the frozen potato section.

Dome:

Frozen potato consumers are pretty straightforward about what they like about the products they are buying. Both displays and packaging are having a significant impact on these consumers. In fact, more than a third of retail consumers buying frozen potatoes bought them because they saw them on an endcap. Displays in additional spaces are highly important in driving conversion for retailers in this category.

Cervantes:

Sounds like displays are proving to be very valuable. Are other center store potato categories benefitting from displays?

Dome:

Dehydrated potatoes have a similar conversion factor. About one third of these consumers are also driven to purchase these potato products after seeing in-store offers. This does not specifically mean they saw a sale. What it means is they saw the product and how to use it and decided to purchase to use as part of a full meal.

Where as the potato chip consumer is highly influenced by both brand preference and sale promotions.

We know as an industry how impactful a secondary display can be on driving sales, but we have to realize consumers are expecting more of us now. They do not just want to see an additional display of just potatoes whether it is in-store or online. Retailers need to focus on highlighting the "how" and the "why". That means showing consumers how to use the products so they understand how convenient they are to cook as well as sharing the nutritional information. Consumers want to know exactly what they are putting into theirs and their families' bodies and feel good about it.

Cervantes:

I couldn't agree more Kayla. This is a lot of very helpful information. It's important for retailers to both understand not just how this impacts sales but also how to communicate it. How are you making sure retailers have access to this valuable data about potatoes?

Dome:

It's only valuable if the right people have it. We have focused over the last year on industry-specific partners highlighting the importance of potatoes in various ways. We worked with The Packer to create three podcasts, content articles, and branded emails focused on the information retailers need to sell more potatoes. We also worked closely with other grocery retail partners such as AndNowUKnow and The Produce News to get this information in front of retail decision-makers. We have also worked directly with retailers to help them understand the information and resources we have to help increase their sales both in-store and online.

I also write a monthly retail-specific newsletter for the potato industry that have featured and will continue to feature these insights.

Cervantes:

And what about getting this out to our potato farmers as well?

Dome:

Yes that's also very important to me. I love meeting with the growers in person but now with all the technology out there I'm even more accessible to them. Anyone that's interested in additional insights and what they mean for their specific business, I'm always only a phone or zoom call away.

Cervantes:

Well you are really making an effort to be available to anyone looking for more details about consumer shopping habits in-store or online. And I'm sure that's appreciated.

Dome:

I hope so!

Cervantes:

Well Kayla, it has been a pleasure learning from you. And thank you for such an educational episode and for joining me as my first guest! I really appreciate your time.

Dome:

It was great talking potatoes with you Natalia.

Cervantes:

I hope you all enjoyed listening to Kayla share these insights as much as I did. And all supporting documents for the data provided in this episode can be found on potatoesusa.com

To see all the great information available about potatoes or new and fun ways to cook with potatoes, visit potatogoodness.com.

Thank you for listening to this episode of *Potato-cast*! Please subscribe on Spotify, Apple or Google Podcast by searching for *Potato-cast*.

I am your host, Natalia Cervantes. Until next time, take care everyone.