

Merchandising BEST PRACTICES

FRESH POTATOES



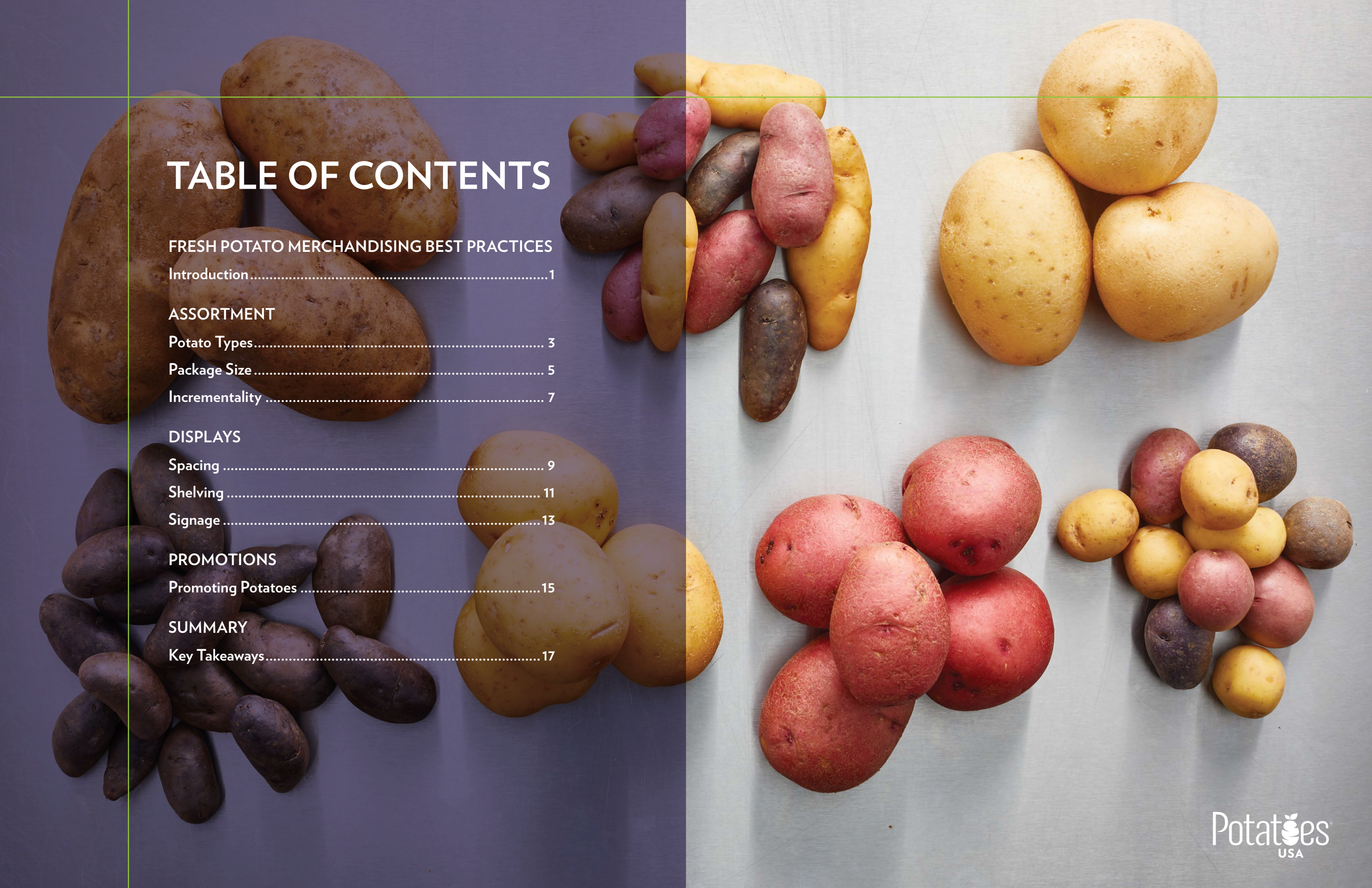


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INTRODUCTION

DID YOU KNOW?

Retailers who have diverse potato sets not only sell more potatoes but also get a higher everyday price for potatoes. Commissioned by Potatoes USA, IRI completed a merchandising best practices study to help grocery decision-makers across the country optimize their in-store displays for America's Favorite Vegetable. The merchandising study revealed key tactics top grocery retailers use to optimize in-store displays of potatoes to increase the value of the category.



BACKGROUND

Retailers fell into three categories within the research with distinct differences between each. Potato sales as well as in-store merchandising was evaluated by IRI to determine what was driving growth for some retailers and not others. Data was analyzed before, during, and after 2020 panic buying to ensure recommendations are based around normal buying patterns.

1. **Top Performing Retailers:*** Retailers who grew sales during panic buying of early 2020 and maintained increased potato sales through July 2021.
2. **Middle Performing Retailers:*** Retailers who grew sales during panic buying of early 2020 and maintained increased total store sales through July 2021. However, potato sales did not increase after panic buying subsided.
3. **Bottom Performing Retailers:*** Retailers who decreased both store sales and potato sales once panic buying subsided.

*Retailers by Tier – Top Retailers: 24 retailers, Middle Retailers: 25 retailers, Bottom Retailers: 24 retailers

WHAT'S INSIDE

Retailers should focus on three key areas to increase fresh potato sales: assortment, displays, and promotions.

ASSORTMENT | DISPLAYS | PROMOTIONS



POTATO TYPES

Grocery stores carry eight different types of potatoes. While some are more well known to grocery consumers than others, they all play an important role in building a strong fresh potato category.

POTATO TYPE CATEGORIES

Fresh potatoes can be broken out into four different categories for retailers.

Traditional mainstays: russet and red

The base of the fresh potato category, traditional mainstays are commonly known and regularly purchased by retail consumers.

Key options: yellow and white

Key options are commonly known, but not purchased as frequently by retail consumers.

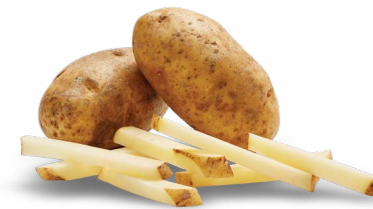
Growth drivers: petite and medley

Growth drivers are growing significantly in percentage sales. While the percentage is increasing, they still make up only a small portion of overall retail potato sales.

Up-and-comers: purple and all other potatoes

Up-and-comers like purple and fingerling potatoes are growing in percentage sales.

BUILDING THE POTATO SET

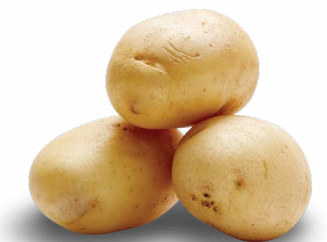
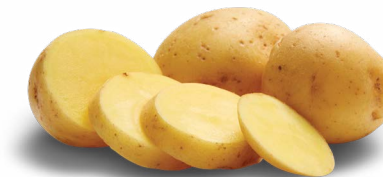
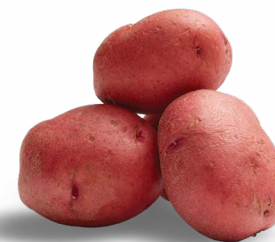


Start with russet potatoes

Russet potatoes make up the largest volume share sales of potatoes and are the base of a potato category. It is a good place to start when building the category, but it is not the only potato that matters.

Red, yellow, and white

These three types of potatoes are commonly known by consumers. They are just as important to the potato set as russet potatoes, and consumers expect to see these.



Petite, medley, and all other potatoes

These three types of potatoes make up a smaller percentage of volume sales but are important to a strong potato set. These potatoes offer incremental growth to top-performing retailers.



DID YOU KNOW?

More variety in types of potatoes leads to increased potato sales for top-performing retailers. Russet, red, yellow, white, petite, medley, and all other types of potatoes are important for increased growth.



PACKAGE SIZE

There has been an increase in demand for packaged potatoes and small pack sizes. While pack size preferences have changed, there is still a place for a variety of pack sizes in grocery stores.

PACKAGE SIZE CATEGORIES

Fresh potatoes can be broken into four different package size categories based on the weight of the bag:

- Small package: 0.1-3 lbs
- Medium package: 3-9.9 lbs
- Large package: 10+ lbs
- Bulk, random weight

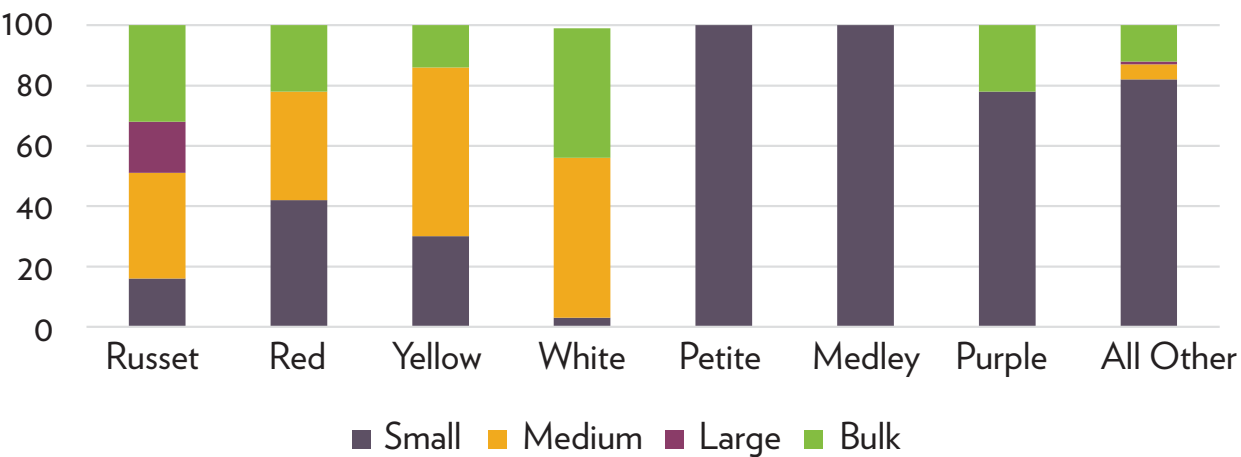
PACKAGE SIZE RECOMMENDATIONS

Top-performing retailers allocate a specific amount of space for each pack size based on consumer preferences:

- Small package: 33%
- Medium package: 35%
- Large package: 8%
- Bulk, loose potatoes: 24%

ASSORTMENT BY PACKAGE SIZE AND POTATO TYPE

Top-performing retailers allocate the below percentages to each type of potato in the various pack sizes.



DID YOU KNOW?

Top-performing retailers have more variety in bulk potatoes, and offer more type options in smaller pack sizes.



INCREMENTALITY

Incremental potato SKUs are options on the shelf that add additional value to the category. They do not take away from those traditional mainstays and key options but add additional sales for retailers.

TOP INCREMENTAL POTATO PRODUCTS

The top ten incremental potato SKUs range across most types of potatoes but are all in pack sizes of five pounds or less.

- | | |
|------------------------------|---------------------------------|
| 1. Petite, 1.5 lbs, Regular | 6. Yellow, 5 lbs, Regular |
| 2. Petite, 1.6 lbs, Regular | 7. Petite, 1.5 lbs, Regular |
| 3. Red, 1.5 lbs, Regular | 8. All Other, 1 lb, Savory Herb |
| 4. Russet, 2.5 lbs, Regular | 9. Red, 3 lbs, Regular |
| 5. Red, 1 lb, Garlic Parsley | 10. Medley, 1.5 lbs, Regular |

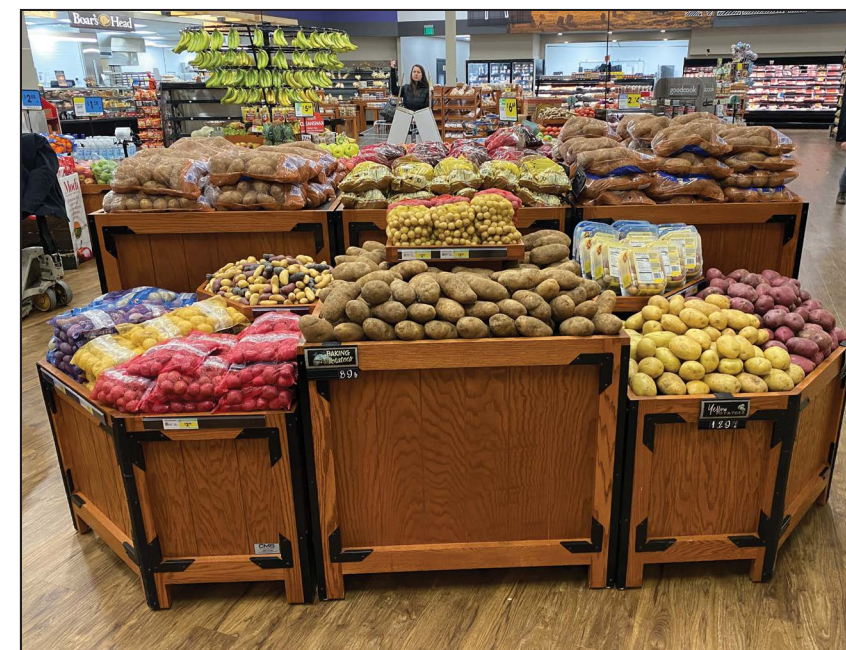
PRODUCTS NOT ADDING INCREMENTAL SALES

The bottom ten incremental potato SKUs show how important diversity is in a fresh potato category. Russets in too large of pack sizes cannibalize sales of other potato options.

- | | |
|--------------------------|---------------------------|
| 1. Russet 10 lb, Regular | 6. Russet 10 lb, Regular |
| 2. Russet 10 lb, Regular | 7. Russet 10 lb, Regular |
| 3. Russet 10 lb, Regular | 8. Russet 10 lb, Regular |
| 4. Russet 10 lb, Regular | 9. Russet 10 lb, Regular |
| 5. Russet 10 lb, Regular | 10. Russet 10 lb, Regular |



Diverse display of both bagged and bulk potatoes can be seen in this picture from a retailer in Idaho.



A variety of SKUs can be seen in this picture from a retailer in Idaho.

DID YOU KNOW?

More diversity in smaller pack sizes and value-added potato SKUs add incremental growth to potato sales. Over-indexing large pack sizes of russets has the opposite effect.



SPACING

Space is a precious commodity in grocery stores. Finding the right balance of what will sell, and in what quantities, is important to all grocery merchandisers for potatoes and across the whole store.

SPACE DEDICATION

Below is the space three types of retailers dedicate to potatoes. More space equals more sales for top-performing retailers.

Top Performing Retailers

14.9 FEET

Middle Performing Retailers

12.4 FEET

Bottom Performing Retailers

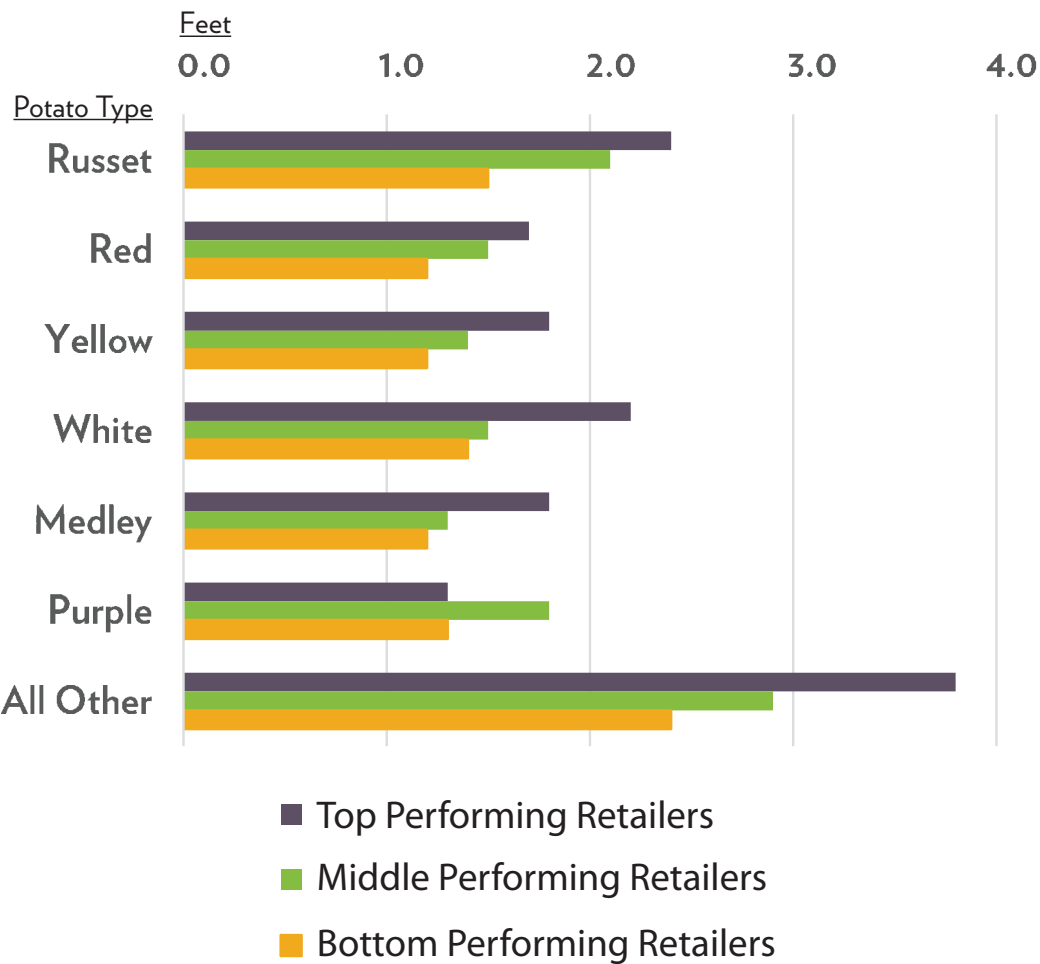
10.2 FEET

DID YOU KNOW?

Top-performing retailers dedicate 15 feet on average to potatoes and have higher potato sales than middle- and bottom-performing retailers. More potatoes equals more sales across all types.

PRIORITIZING SPACE BY POTATO TYPE

Top retailers distribute their space more evenly amongst types of potatoes, providing shoppers more opportunities to see faster-growing products. The chart below shows the amount of space the three types of retailers dedicate to potatoes.

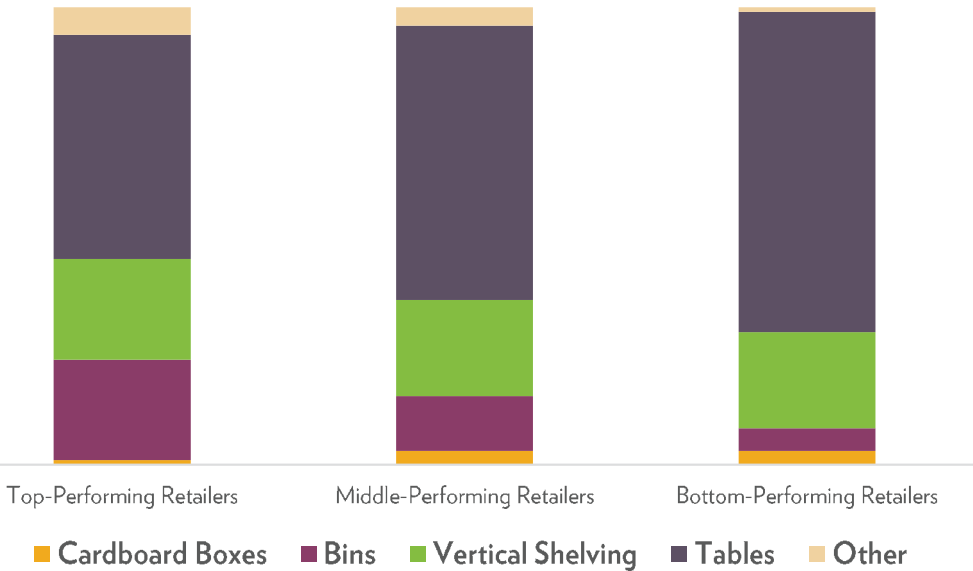


SHELVING

When it comes to potatoes in the produce department, grocery stores utilize four different types of shelving for displays. Displays help consumers identify and access potatoes in various ways.

SHELVING DISTRIBUTION

Top-performing retailers diversify their displays significantly to offer visually appealing ways for consumers to buy potatoes. Bottom-performing retailers rely almost exclusively on tables.



DID YOU KNOW?

Grocery retailers who use more than one type of shelving to display potatoes in stores sell more potatoes. Use more than one type of shelving fixture to display potatoes.

TYPES OF POTATO SHELVING

Below are examples of the types of shelving used for potatoes in grocery stores across the country.



Cardboard Boxes



Bins



Vertical Shelving



Tables

SIGNAGE

Grocery stores have two types of potato signs: signs featuring a price, and signs helping sell the product.



TYPES OF POTATO SIGNAGE

Potato signage can be divided into two different categories: marketing signs and price signs.



Price signs are self-explanatory; they tell consumers what they will pay for potatoes.



Marketing signs clearly mark where consumers can find potatoes in the produce department.

SIGNAGE RECOMMENDATIONS

- Make the number of marketing signs even with the number of price signs. This tactic leads to increased sales of potatoes for top-performing retailers.
- Do not use an excess number of price signs. Middle-performing retailers use too many price signs, which confuses the consumer. This leads to a decrease in potato sales.
- Mark the potato category clearly with a marketing sign. If consumers are reminded to buy potatoes and can clearly see the price, they buy more across all types.

DID YOU KNOW?

An even amount of marketing signs to price signs will help grow potato sales, make it easy for consumers to find potatoes, and find the price regardless of if they are full price or discounted.



PROMOTING POTATOES

Promotion can mean a discounted product, but it can also mean highlighting a potato to bring consumers into the store. 76% of potatoes are purchased at full price, so promotional dollars can be used strategically to add growth.

STRATEGIZING PROMOTIONS

Top-performing retailers diversify their promotional dollars more strategically, leading to a higher average everyday price and fewer discounts throughout the year overall.

- Promote potatoes consumers are less familiar with how to use: petite, medley, and purple.
- Use less-heavy discounts to reach consumers. Potatoes are already affordable, so use promotional dollars to remind consumers to buy potatoes as opposed to training them to look for a deep discount.
- Reduce the number of discounts on potato types with higher volume sales: russet, red, yellow, and white.
- Think about when people buy a lot of potatoes. Promote lesser-known potatoes during the high-traffic periods and the higher volume sales potatoes during the slower months.

DID YOU KNOW?

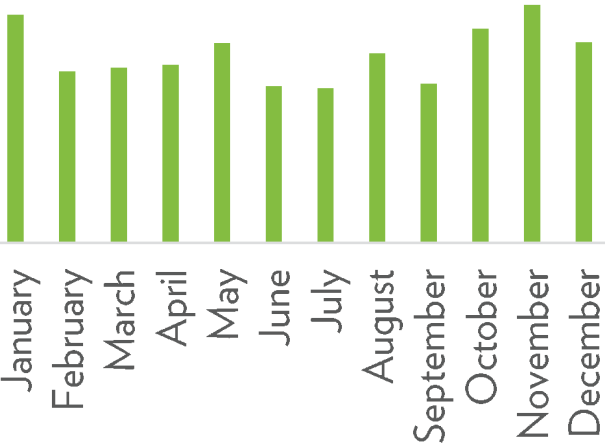
Grocery retailers who promote potatoes strategically get a higher average everyday price for all types.

PRIORITIZING PROMOTIONAL PERIODS



Russet, red, yellow, and white potatoes are familiar to consumers. They need less discounting overall and less attention during the holidays, when they already sell well. Use promotional dollars to highlight petite, medley, and purple potatoes, and this will lead to an increase all around.

Volume Sales of Potatoes by Month



Consumers buy potatoes every month of the year, but there are spikes during the holidays of November and not as many during the summer months of June and July.

KEY TAKEAWAYS

If bottom-performing retailers adopt merchandising tactics used by top-performing retailers, they could see potato sales grow by nearly 12% in volume sales across the potato category.

ASSORTMENT

- More variety in potato types leads to increased potato sales for top-performing retailers. Russet, red, yellow, white, medley, and all other types of potatoes are important for increased growth.
- Top-performing retailers offer more variety in bulk potatoes and more options in smaller pack sizes.
- More diversity in smaller pack sizes and value-added potato SKUs add incremental growth to potato sales. Over-indexing on large pack-sizes of russets has the opposite effect.

DISPLAYS

- Top-performing retailers dedicate 15 feet on average to potatoes and have higher potato sales than middle- and bottom-performing retailers. More potatoes equal more sales across types.
- Grocery retailers who use more than one type of shelving to display potatoes in-store sell more potatoes. Use more than one type of shelving fixture to display potatoes.
- An even amount of marketing and price signs will help grow potato sales, making it easy for consumers to find potatoes and their price, whether full price or discounted.

PROMOTIONS

- Grocery retailers who promote potatoes strategically get a higher average everyday price for all potato types.

DID YOU KNOW?

Additional information based on IRI regions can be accessed by contacting retail@PotatoesUSA.com.





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