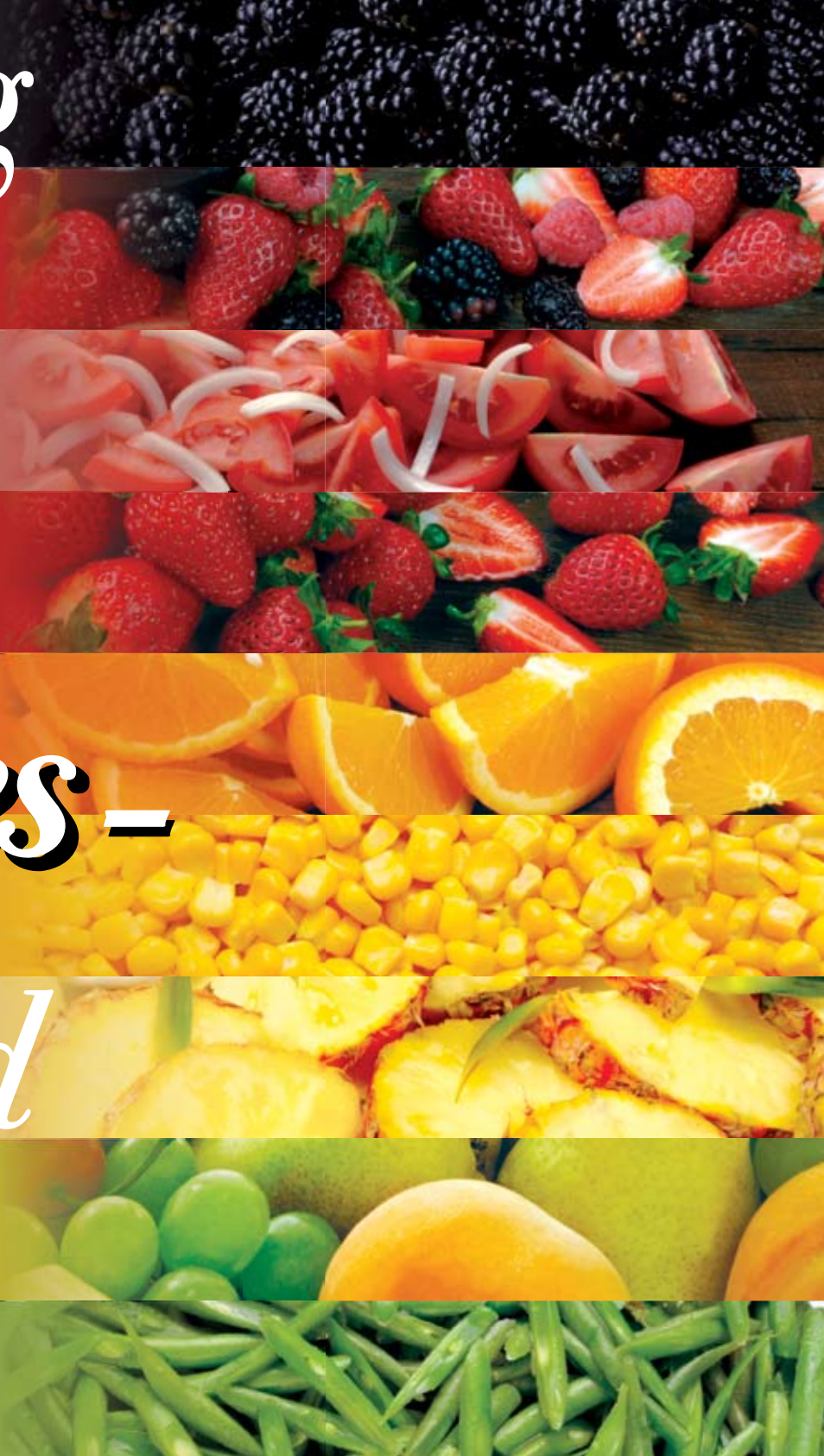


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Boosting **dry** grocery sales

Maximise your profits during the economic crunch

BY ANELLE HAMILTON

DRY GROCERIES have long been the engine room of the supermarket business. It generates the most co-op spend and it's what mostly goes on gondola ends. It's the heart of the KVI (Known Value Items) business and house brands. And even though it doesn't have the glamour of fresh produce, deli, HMR, take-out and health & beauty, dry groceries are often where the biggest battles are fought between supermarket groups - and, no doubt, between supermarket and marketer. This is about price, volume, margin and replenishment.

Mixed sales in dry groceries

Francois Eksteen of Bokomo/Pioneer reports that several dry grocery categories are growing. Total cereal sales are up 9% by volume and the growth drivers are cornflakes, Weetbix and Oats. People are going back to basics and there is huge growth in 1kg cornflakes and some of the other bigger pack sizes. However, there is a decline in children's cereals and muesli, as well as health products. These are in decline

because they are more expensive, while cheaper categories and products (<R30) are growing.

"Even higher income groups are moving to more cost effective products," says Eksteen.

Meanwhile, baking aids are growing by 5%. "The financial strain means people are spending more time at home and consumers are doing more home baking."

There has also been a decline in the biscuit category. Many biscuit sales take place in the lower LSM market and these consumers are feeling the pinch.

Eksteen reports that dried fruit is more static and has shown a small decline.

"We have also seen a decline in spreads. At R26/R27 for Bovril and Marmite, compared to R12 for peanut butter or jam,

some customers are trading down."

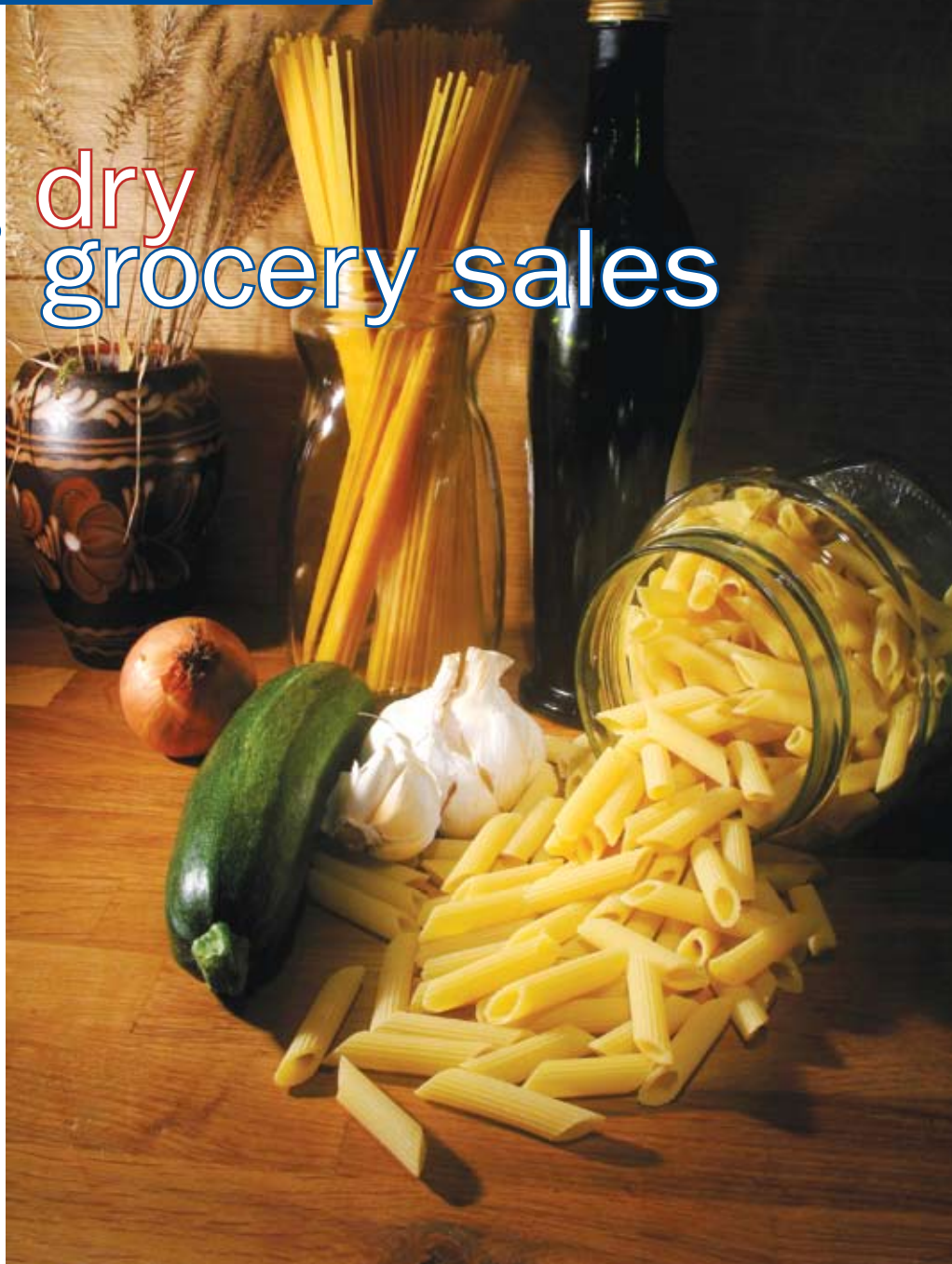
Value for money

Paula Hinks, marketing manager for Rhodes Food Group, says that consumers are trading down to core grocery items, which has had a positive effect on its Rhodes canned food categories.

Consumers are also looking for convenience with added value and according to Hinks, the performance of Rhodes' canned tomato range supports this.

"The recession is a good test of brand loyalty. This is more a case of 'battle of the broadsheets', with consumers shopping around for the best prices at the various supermarket chains," she adds.

In addition, private label product sales are





Stoneridge Superspar sells a variety of imported Italian pasta.



Dry groceries form the heart of Stoneridge Superspar's operation.

up, although quality still plays an important role. Consumers are also being more disciplined, shopping from lists and curbing impulse, unnecessary or luxury items.

Another shopping trend that is influencing sales of dry groceries is that lower income consumers in SA are cutting down on their red meat consumption, which has a positive influence on the canned vegetable category.



Stoneridge Superspar cross-merchandises its butchery with dry sauces in a display that works well.

Too many options confusing shoppers

Although different pack sizes give shoppers more options, too many size choices leave shoppers confused, according to Jeff Noddle, CEO of grocery giant Supervalu in the US. "I think we've overwhelmed consumers with choice and it hasn't simplified their experience," he says.

He gives the example of an unnamed

“ I think we've overwhelmed consumers with choice. ”

manufacturer, saying the latter offered five different sizes of the same product in a supermarket, with weights varying within a few ounces of each other. Noddle noted that while the idea was to provide consumers with options as to different sizes and prices, it could confuse customers into thinking they may get a bad deal if they make the 'wrong' choice.

Noddle was also quoted as saying that Supervalu has asked its suppliers to cut back on the number of pack sizes. "Some suppliers are already reducing the number

of products offered. This has improved the volume sales of some products."

More home cooking

More consumers are cooking at home during the recession, but this is home cooking with a difference, as convenience is still playing a big role. Ready-to-use sauces such as Denny's new curry and cook-in sauces are doing well, offering consumers a convenient home cooking option.



Displays on gondola ends work very well to boost sales.

CASE STUDY: Stoneridge Superspar

This store opened for business in October 2008 and in the last nine months has seen an increase in dry grocery sales, month-on-month. "We are still building our departments and dry groceries form the heart of our operation. Dry groceries contribute around 25% to total turnover," says owner Kallie Kruger.

The most popular KVI's are tomato sauce, rice, baked beans and coffee.

"We have seen a definite increase in home cooking. People are not visiting restaurants so often and are preparing more at home, which means more sales in the dry grocery department," says Kruger.

Interestingly, customers have repeatedly asked for tinned chickpeas. "We eventually bought a case of tins and it sold out within a week!"

Kruger says they also have a large European and Continental customer base, so they stock products to cater specifically for them. For example, gnocchi and humus sell very well. They also stock a large variety of imported Italian pasta to cater for this market. "We have learnt to adapt to our customer base and are continually experimenting with products," Kruger says.

He has seen a huge influx of new dry grocery products, as well as new packaging. "However, some customers struggle to find their old favourites in the aisles. This can sometimes cost you the sale. In these tough



In tough economic times a selection of tinned foods will always sell well.

times, people do not like to experiment and they stick to their favourites," he warns.

“ Dry groceries contribute to around 25% of total turnover. ”

The store distributes leaflets every week in the local papers and the dry groceries on

promotion usually sell out very fast because of their competitive pricing.

"Our hit rate on the pamphlets is very high and it is important to have enough stock on the shelves. Promotional items on gondola ends also work very well to boost sales."

In terms of overall feet through the door, the store is growing with 6 000 customers a month and this keeps on increasing. However, says Kruger, although the footfall is increasing, their basket sizes are getting smaller."

Kruger says they want to look after their customers so that they keep coming back after the economy recovers. ■

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