

# RETAILERS DISCUSS STRATEGIES FOR PRICING, PROMOTING ORGANIC PRODUCE



By Ashley Nickle

Four retail produce executives shared their perspective on pricing and promoting organics during a panel at the recent Crosset Co. Produce and Floral Conference.

Companies generally do not want to elevate organic produce items to the detriment of conventional items, but retailers do want to bring more shoppers into the organic category. All four members of the panel agreed that it is key for stores to be seasonally relevant with the organic items they feature, in no small part because it is easier to offer more palatable prices in those windows.

“What we do to bring that price gap down is we work closely with our grower partners, get the information from them to say, ‘These commodities are peaking at this time where you could retail them lower than conventional,’ and we actually switch over,” said Mimmo Franzone, director of produce and floral for Vaughan, Ontario-based Longo Bros. Fruit Markets. “So when organic cauliflower is priced the same as conventional cauliflower in season, that full end-cap display halfway down the department is actually organic.”

## Organic emphasis

Greg Corrigan, who worked for more than three decades at West Sacramento, Calif.-based Raley’s before recently moving to the supply side of the industry, said his company would do the same, switching to all organic on certain items when opportunities arose.

Raley’s has also sometimes run conventional and organic items together on ad. The general rule used to be to avoid that, Corrigan said, but running conventional and organic items together has become part of the company’s overall strategy more recently.

“One of our initiatives over this last year was making organics more affordable, so we would literally look for supply opportunities in peak season on items and match the conventional price and put them in the insert,” Corrigan said.

## Packaging

Another way to address the consumer perception that organics are more expensive is to offer a pack size that allows for a lower price that compares more favorably to conventional.

Caitlin Tierney, director of produce and floral for Commerce, Calif.-based 99 Cents Only Stores, noted that she has had success with this strategy. She might sell a 2-pound bag of organic apples for \$1.99 and a 3-pound bag of conventional apples for the same price, for example, or she could price a 2-pound bag of conventional zucchini at 99 cents and offer 16 or 18 ounces of organic zucchini for roughly the same price.

## Product specifications

99 Cents Only also has some flexibility on product specifications, as does Phoenix-based Sprouts Farmers Market. That flexibility — as long as product size and appearance remains acceptable to shoppers — allows the retailers to offer lower prices on certain organic items at different times.

Drew Sullivan, senior category manager of produce for Sprouts, said eating experience is the guide when it comes to specifications for various commodities. Perfect color, shape and size isn’t necessary for great taste.

“There’s a lot of those things that don’t affect the core eating experience,” Sullivan said.

Consumer expectations play into how much of an option it is for a retailer to be flexible, however.

“For us, we’ll never downsize quality or size — it’s strictly in season,” Franzone said. “So when that commodity is plentiful, that’s when we jump in. So we’ll always have organic cauliflower, we’ll be a size 12 in offseason, it might be \$7.99, but when we could be \$3.99, we might even size up to a 9.”

## Balancing act

Making organics as attractive as possible while not detracting from conventional can be tricky.

“You reach that sweet spot to where it’s you want to be known as a good place to go to get those things at an affordable price, but unless you’re going down the path of exclusively organics, then you don’t want to have price be the only reason that’s going to driving over, away from the conventional item,” Sullivan said.

Corrigan made a similar observation.

“If you’re running organics at a hot price, you’re going to impact that conventional item, so you’ve got to be careful on shrink numbers and stuff,” Corrigan said. “You’ve got to be backing off of that volume on the conventional if you’re going to go out there with an aggressive price on the organic.”

“Because typically you can get big lifts on the organics, but generally they still represent a very small piece of the business,” Corrigan said, “so you’ve got to keep that conventional side of the business healthy.”