

# SUPERMARKET & RETAILER

Business knowledge for smart retailers

JANUARY/FEBRUARY 2019

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Image recognition  
is the future?



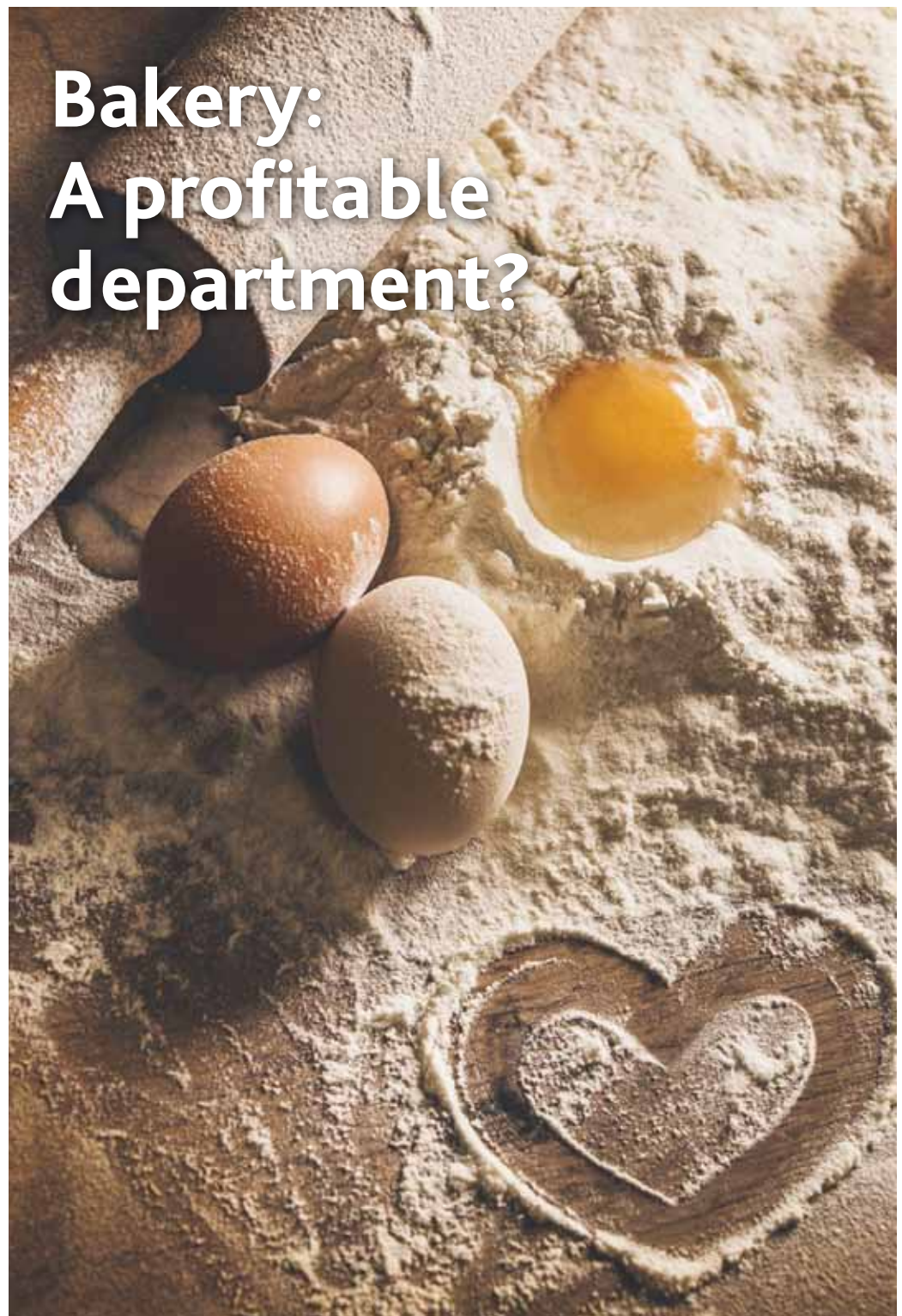
Volatile shopping  
changes



Global nutrition  
revolution



Scales, labels &  
in-store packaging



## Bakery: A profitable department?



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# Future proofing your business



**T**he future and the change it brings is not just coming down the tracks at speed. In many areas of retailing it has already pulled into the station.

In this issue, among other things, we look at adapting to changes in what people want and adopting new technology to improve the customer experience and productivity.

But, first, who would have thought that we would write about tattoos? Aki Kalliatakis our Delight Your Customers guru links the increasing popularity of tattoos among the general population as a sign of their disengagement and alienation from the work they do. In the words of the famous Pink Floyd song, he says, they feel they're just, "Another brick in the wall". It's an insight that deeply affects the ability of retailers to

create a truly engaged and productive work force.

Looking at what consumers want, our article on Global Nutrition Trends highlights how far our food manufacturers and supermarkets are behind in offering products based on the new health paradigm. In it you'll find what's missing from our tables and the ingredients that are gaining popularity among health conscious consumers elsewhere.

Again, in looking at what consumers want to find at their store, we investigate the setting up of a facility to which your customers can bring their waste for recycling. Our Field Agent research also reveals that something like 98% of consumers think recycling is a good idea, while 79% actively recycle something. At the same time 57% of respondents reported that their local supermarket offered no recycling facilities at all. Is there a shopper loyalty and traffic building opportunity for you?

It's a given. Consumers want low prices. In our hyper competitive trading environment there is little room to achieve a powerful competitive price advantage. Enter Best Before. Specialising in products close to or at their 'best before' date, it has achieved consumer acceptance for them by offering big discounts on these products while at the same time building trust in them by being explicit and upfront about what they are.

Technology can offer both an improved customer experience, lower operating costs and other benefits like improved shrinkage control. It also comes at a price. In our Retail Automation and Scales, Labels & In-store Packaging features, we explore the cost benefit of adopting these technologies and the different ways they can be deployed at store level.

Bakery is still a big and critical business in supermarkets. Of all areas in the store, it offers the best gross margin. Poor production controls, low skilled staff and the wrong set-up for the store can wipe out the potential profits. At the same time health concerns and growing sophistication is making demands on the range produced. Our feature on the subject looks at what to look out for in setting up and operating a bakery.

As always we hope this issue's content will both inform and inspire you to greater success. Enjoy the read.

Stephen Maister



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## PRINTERS

Typo

# I now “get” tattoos

## Nobody wants to be just ‘another brick in the wall’



Aki Kalliatakis

Delight your customers

Seemingly out of the blue I noticed a few years ago that a lot of people starting showing some pretty bold tattoos. Until then, it was only people from some traditional cultures (such as the Maoris), some old sailors, professional soldiers, a few rock stars and members of cults, and biker and criminal gangs. In fact, today it seems as if you are a bit odd if you don't have a tattoo on some part of your body.

I have to admit it: I just didn't get the whole “tattoo-as-a-fashion” thing, but one day I had a conversation with a young employee, and it suddenly hit me that there is a good reason that tattoos have become so popular, and not just because it's the latest fashion. It's because in today's world of work we have been dehumanised, and we have been forced into being like everyone else.

It starts off when you are still a small child where you have to conform to the teacher's rules of where to sit, when and how to play, what to say and what not to say, and to think and analyse things in the same way that everyone else does. It certainly makes your teacher's life easier, but it also means that you are, in the words of the famous Pink Floyd song, “just another brick in the wall”.

It's probably not much different in most companies, and that's why we see such a proliferation of tattoos today. People who feel alienated, who feel alone, who are filled with despair because they are just another one of thousands of powerless employees, or because they are just an account number to their clueless manager, want to display their uniqueness and specialness. They want to almost flip a finger at the world and say, “So this is who I am, and you can take it or leave it. I don't care.”

Tattoos are just one of many other symbols of people around the globe wanting to assert their uniqueness and specialness.

When engaging with new clients, I often ask staff: “So, how do you like your job?” In about



People who are filled with despair because they are just another one of thousands of powerless employees want to display their uniqueness and specialness.

“ A staggering 87% of employees worldwide feel “disengaged” from their companies ”

two thirds of responses, the overwhelming answer is: “I don't!” Now you have to remember that I ask this question from the most junior to the most senior people in the organisation, and beneath the surface there is just so much dissatisfaction and unhappiness.

This is borne out by the huge research conducted by the Gallup Company – 30 million employees surveyed over 30 years – in which they discovered that a staggering 87% of employees worldwide feel “disengaged” from their companies.

What's just as bad is the fact that it's even worse for customers worldwide, who are incredibly disloyal to the businesses that they deal with. There is a huge delusion that senior managers live with. It goes something like this: When employees and managers are asked about how well they think they are doing in customer service and customer care, most rate their companies quite highly. However, when you ask the customers of those same companies how they feel, the

answer is shockingly poor.

It doesn't have to be this way. In fact it had better not be this way, because otherwise your business is on a slippery slope to nowhere. When we start looking at correlations of employee engagement and customer loyalty (with typical financial and reputational measures such as profitability, stock performance, reputation and trust in their markets), the evidence is very clear and direct: There is a significant correlation between performance by any measure, and culture as it affects employees and customers. The consequences are too horrid to live with.

But back to my interview with that tattooed young man, a young team leader from a manufacturing company. He explained himself with such simple eloquence that it hit me like a whack on the side of the head. For he said, “I'd like to see a big board like when a shopping mall or office block goes up, engraved with the names of every single person that contributed to this building. All the steelworkers and bricklayers and concrete deliverers, all the electricians and plumbers and wire and cable installers, all the painters and window cleaners and polishers. So when a guy walks past, he could take his children and say, ‘See, that's my name over there. I was the one who installed the escalator that everyone climbs on every day.’ Stephen Spielberg can

Read the first in our series of articles where we share stories of what some organisations and managers have done to motivate and inspire their teams in the next edition of **Supermarket & Retailer**. We will give you practical ideas of what you can do to create the most amazing, customer-driven company in the world.



“ In our modern world, there are few people that can point to a personal accomplishment in their jobs ”

point to his movies. Picasso can point to his paintings. JK Rowling can point to her Harry Potter books. Everyone should have something that they can point to.”

It was one of the most memorable and meaningful conversations I've ever had. I don't know why that conversation struck me so hard. Maybe it was because after four decades of working in a business, many people retire with nothing they can point at proudly. How can you boast about the fact that you took thousands of the same calls every year from mostly irate customers? How can you be proud that you served 200 faceless and ungrateful customers who don't even look at you every day? Where is the sense of dignity in loading countless groceries into bags every day? In our modern world, there are few people that can point to a personal accomplishment in their jobs.

It all fills me with a great deal of sadness, but I also know that there is hope. I have seen it, and when it exists the results are incredible! That's why, together with the editors of this fine journal, we decided to create a series of articles, and share stories of what some organisations and managers have done to motivate and inspire their teams, (and we'll also occasionally share some examples that may fill you with shock and despair.) We will talk about the so-called "10 E's of Managing and Motivating People", and give you practical ideas of what you can do to create the most amazing, customer-driven company in the world.

So until next month, good luck out there in the trenches.

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There's a load of new tech and customer services coming down the track. The way they'll be integrated and configured at front of store will vary from group to group if not from store to store.

# Future proofing your POS and customer services operations

## Hardware

At the moment barcodes are the only way to identify products at the checkout in South Africa

This is about to change. Image recognition or IR can recognise products without scanning the barcode. It opens up new possibilities and not just at the Point of Sale.

The totally automated 'grab and go' checking out process that works with a smartphone app, cameras, image recognition and sensors on the shelves that you may have read about in Amazon's brick 'n mortar stores is not the example for most stores. Amazon sells their own products in their own packaging made to their own spec. This makes image recognition easier for them. Whereas most stores in South Africa stock products from a wide variety of suppliers with varying packaging designs.

A more likely scenario will be the introduction of Automated Checkouts. These employ motorised conveyor belts with a new generation of 360 degree scanners. These combine barcode scanning and image recognition. As items get scanned for the first time their image also gets captured by the

system. Then if subsequently the bar code fails to read the image recognition can capture the item, or the other way round, at speed.

This set-up is capable of capturing up to 72 items a minute. It makes it particularly beneficial where you have high volumes of low margin items.

## Self-Checkouts

South Africa is 20 years behind when it comes to the use of self-checkouts in supermarkets. Currently there is one one in operation as a trial in a PnP Family franchise store. They have proved their value.

The key reason there are not more is resistance from the trade unions who fear cashiers and shelf packers will lose their jobs. In practice this has seldom been the case as stores have invariably retrained and up-skilled workers and moved them into other functions within the store.

The self checkout idea has already spread to other kinds of retail. For example KFC, Burger King and McDonalds have introduced self-service kiosks where customers order and pay and then take their slip for fulfilment.

What shoppers in supermarkets like

about self-checkout is that they find them convenient, easy to use and they feel in control. They also perceive it to be faster than a regular checkout. In reality it keeps them busy and they don't feel they are waiting.

The fact is that a regular checkout moves the goods through faster. However, depending on the configuration, one can get a lot more self-checkouts in the space taken by one regular checkout – usually four self-checkouts to one regular checkout but as many as 6:1.

In some very high wage European countries there are stores that are completely self-checkout but this is not the norm and is completely unlikely in South Africa. We are more likely to see a combination of a limited number of self-checkouts and manned high-speed automated checkouts. A bank of self-checkouts could well replace the express lane checkouts in many stores.

## Could smartphones replace checkouts?

Hand held scanners that clip onto a trolley handle have been around for many years in Europe and America. The process works with a shopper scanning their loyalty card in at the entrance of the store which releases

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a hand held unit that is clipped onto the shopping trolley handle. As they shop and put items into the trolley they scan them. At the dedicated self scan pay point they hand in their hand-held scanner and pay the amount registered on the device.

However there's now no need for these dedicated hand held scanners any more. Shoppers can now load a scanning app onto their smartphones and use it in place of the hand held scanner.

Trust is a major factor in this scanning process. Will the shopper scan every item? Initially a store introducing this form of self-scanning will offer it to their loyalty card customers. Through partial or full spot

checks at the exit a trust rating is built for the customer.

While there are dangers, this self checkout process suits stores whose customers are less likely to steal. At the same time the advantage of using a smartphone rather than a dedicated hand held self-scanning device is that one avoids the capital outlay and the replacement cost of those that go missing – and they do!

An advantage of using this form of self-scanning is that it can be programmed to up-sell. For example as a shopper scans in a product, recipes that incorporate that product can be offered and a list of ingredients can be provided for the shopper to buy.

## Customer services

The pressure to offer cash back and the volume of these transactions will grow as new low cost 'no branch network' banks come onto the scene.

These banks rely on supermarket cash handling infrastructure at the checkout to service their customers. Apart from the convenience and saving on ATM withdrawal fees with cash back, as with conventional banks, these banks other transaction fees are much lower. So one can expect the volume of these financial transactions to grow.

Pick n Pay has just launched with one such bank, Tyme Bank, in 550 PnP and Boxer branches. Another such bank due to launch into supermarkets is Discovery Bank. Other low cost banks are also reported to be on their way.

There is a potential looming problem with cash back. The Reserve Bank is said to be in the process of formulating regulations that will prevent retailers from offering cash back at the tills to shoppers. That is, unless they process the notes they take in through a cash fitness sorting device that will identify and separates unfit notes and remove them from circulation.

As cashiers are continuously receiving and handing out notes it is not practical for them to run cash back notes through a fitness sorting device. This Reserve Bank regulation, it should be noted, will only apply to notes handed out for cash back and not to change.

The practical answer to this will be automated cash handling units at the checkout with built in fitness sorting facilities for notes (and coins) which will return unfit and stained notes to the shopper.

Automated cash handling units at the checkout were first sold in South Africa for security as they are built around mini safes. While not cheap at R90 000 plus a lane, they also come with a major productivity benefit – they eliminate cashing up

One potential added benefit is that they can safely hold a lot more cash than stores allow in conventional tills. This will reduce the problem of not enough cash in the till for cash back transactions.

While strong controls in top stores have reduced cash theft from the tills, automated cash handling units can pretty well eliminate it altogether. One cash handling equipment supplier notes that when their units went into one pharmacy its bank account balance grew by some R40 000 a month. They also noted that in the first week of installation they expect call-outs to fix their units which





cashiers have attempted to sabotage with things like chewing gum and paper clips.

**Services at the checkout or money market?**

There are different views on the cost effectiveness of offering cash back at the checkout. Some say you don't need an ATM in the store when you offer cash back and you can put the space to better use. However not every bank allows cash back. And then some see it as slowing down the checkouts.

On the other hand Checkers which has been using their Money Markets to handle cash withdrawals and bill payments are reported to have pushed these services back to the checkouts in some stores because the Money Markets were swamped.

Checkers is also said to be looking to use self-serve kiosks to provide (some) Money Market services. Not only would self-service lower costs but shoppers may well prefer it as they can take their time at a kiosk. This helps when one, for example, is choosing a seat on a bus or at a concert. However some services such as money transfers require a serviced process because they have to check on ID's and proof of address.

**The future**

It's clear from all this that change is coming to the way stores check out purchases, receive payment and the way they provide services. There's just no one size that fits all.

**TymeBank which launched in 550 PnP and Boxer stores during February relies on the store's checkout cash handling facilities to service its customers.**



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# Weighing up the cost of technology against its benefits

It's a hard call. In the present economy many retailers are reluctant or cannot afford to pay for higher end technology. Yet, when looking at the field of scales, labels and in-store packaging the benefits are there: greater productivity, less shrinkage and wastage, and more sales.

**Variable length labels** are an option becoming available on new scales. The technology costs more but there are powerful advantages.

For one thing one does not need to stock a variety of label sizes saving on label inventory and the need to switch label sizes. Then you can get a lot more info onto the labels.

In today's world, where more and more consumers are health conscious, looking to save as well as being more experiential, information such as recipes, nutritional facts, cooking instructions and lists of allergens and other messages on-pack like 'Special of Today' increases sales. Giving consumers this information gives them the confidence to buy and the increased sales more than offset the additional cost.

At the same time the Department of Health regulation 146 relating to the labelling and advertising of processed foodstuffs, eg. boerewors as opposed to raw meat, requires

much of the above information on labels. In practice, enforcement of the regulation has been weak, but it can be expected in future.

**Automatic tray wrappers** have been around for a while, but are gaining in popularity despite the capital cost. They perform a number of functions in one process: wrap, weigh, price, print and apply the label. This is normally the work of anything from 3 – 6 staff members doing the job manually.

The result is a neater, better wrapped pack with reduced film usage. Along the way auto-wrappers also reduce power consumption while getting the product to shelf faster. Another benefit claimed is that they can extend product shelf life as they use less heat to seal the packs. Wrapping manually requires more heat for sealing packs and it can penetrate the tray.

Auto-wrappers have a footprint of little more than a square metre and a pack rate of up to 36 packs a minutes. Stores that install auto-wrappers find they can move staff previously engaged in the packing process to other functions within the store.

While the butchery has been the site of most auto-wrapper installations, some stores in the last six months have also installed them in their fresh produce departments to

pack partially prepared items such as pieces of watermelon, soup packs and the like.

The best way to weigh up the cost benefit of an auto wrapper is to actually experience it through a loan machine from one of the suppliers.

**Scales at the checkouts** have more potential benefits than just replacing serviced weighing and dedicated pricing points in the fresh produce department. It makes sense for stores with extensive loose fresh produce displays like Food Lovers markets to weigh and price at the checkout.

For one thing, they would need quite number of serviced pricing points along the displays and customers could face multiple waits for service. But even stores with small fresh produce departments have installed scales at the checkouts on the basis that no customer should ever have to wait for their selection to be priced because the service person has gone off somewhere. Queuing at a service point, especially in stores in convenience locations, is anyway an irritation and makes the store less convenient.

There is also a potential saving in manpower. While cashiers still have to put the selected products on the scale and key in product codes, they don't have to close the bag

SATO CL4NX Retail Printer



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and apply a label which one has to do with serviced scaling points and which takes time.

There is a potential sales inhibitor with scaling at the checkouts. Shoppers don't know how much their selection is going to cost them at the tills.

One alternative to serviced pricing points in the fresh produce displays are self-service scales with large touch screens and graphic selection of the produce to be weighed. While this works well in some stores, other operators are reluctant to trust their customers to label their purchase accurately.

## Weight verification

There are also potential security loss prevention benefits to be had with scales at the checkout. With compatible POS software they can be programmed to verify the weight of prepacks. If the barcode says the pack weighs 300g and the checkout scale reads 450g, the POS can be programmed to refuse the sale.

This is a standard feature in some meat and chicken specialist outlets like Roots and OBC Chicken. One estimate puts the return on investment of a checkout scale pack weight verification set-up at just six months.

Another related security feature is where surveillance cameras record what's going through the tills and the barcode is also read showing product, price and weight, and this is overlaid on the video. So a butchery prepack labelled 'Bones' that the video shows contains rump steak can easily be captured.

This recording system has also been widely applied over the past ten or so years at service counters in the likes of PnP and Spar

outlets – a testimony to its shrinkage control effectiveness.

## Conclusion

While there is a cost to applying technology in the scales, labels and in-store packaging sphere, the benefits may well far outweigh the cost. Lower total cost per pack, better shrinkage control and more sales all add up on the bottom line.





# TERAOKA

## VARIABLE LENGTH LABELING

All 3 labels were printed on ONE scale using ONE roll of labels



**SM120 SCALE**

+



**TERAOKA LABELS**

=

**BOEREWORS**

SELL DATE: 12 JUL'16    UNIT: 0.010    PRICE: 69.99    WEIGHT: 1.250

**87.49**

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**FARMSTYLE BOEREWORS**

Ingredients: Beef & beef fat and/or pork & pork fat (90% min meat (30% max fat), Water, Vinegar, Salt, Wheat (Triticum aestivum) (gluten), Spices, MSG (flavour enhancer), Preservative (sodium metabisulphite (sulphur dioxide)), Flavourings, Flavour enhancer. May contain undeclared ingredients. Not suitable for people with Wheat, Gluten, Soya or Cow's Milk allergy.

**KEEP REFRIGERATED**

SELL DATE: 12 JUL'16    UNIT: 0.010    PRICE: 69.99    WEIGHT: 1.250

**87.49**

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**Opening Special**



**FARMSTYLE BOEREWORS**

Ingredients: Beef & beef fat and/or pork & pork fat (90% min meat (30% max fat), Water, Vinegar, Salt, Wheat (Triticum aestivum) (gluten), Spices, MSG (flavour enhancer), Preservative (sodium metabisulphite (sulphur dioxide)), Flavourings, Flavour enhancer. May contain undeclared ingredients. Not suitable for people with Wheat, Gluten, Soya or Cow's Milk allergy.

**PRODUCT OF RSA**

**KEEP REFRIGERATED**

SELL DATE: 12 JUL'16    UNIT: 0.010    PRICE: 69.99    WEIGHT: 1.250

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### ADVANTAGES OF VARIABLE LENGTH LABELS

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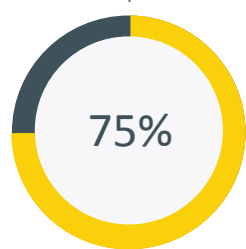
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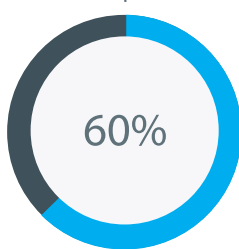
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**GOOD FOR PEOPLE, BUSINESS AND THE PLANET.**

In-store bakeries are renowned for producing the best gross margin in supermarkets. But, this does not necessarily translate into net profit. The bottom line depends on many factors – from the staff you have selected to pricing, recipe and wastage control. So what makes for a successful bakery? Innovation is very important, but if the basics are not right, your success will be limited. Here's a check list of some of the most important considerations for developing a successful in-store bakery.



# A profitable department?

## It depends on how you run it

**Position** – where is your bakery located in your overall store layout? Traditionally, most bakeries are placed towards the back of the store next to the other service departments. This usually works well, especially if you need to create staff access before trading hours to start baking before the store opens its doors to the customers. A separate door with dual keys (one for the baker and one for the security company) and a turnstile that allows only one way traffic are two good tools to use in this situation.

However, some innovative retailers, especially those located in high density areas or near office blocks, have positioned their bakery closer to the front of the store to allow easy and convenient access to shoppers short of time, but who still want to buy from a range of baked goods. Usually, delicatessen counters will also be in the same run as the bakery serving area to allow service staff to serve customers from both counters.

Wherever you position your bakery within your store layout, always make sure that it will not be in the way of any future expansion. It can prove quite expensive to move heavy equipment around and break down dividing walls.

**Size** – a decision must be taken upfront about the current and future potential of the bakery in your overall store sales mix. Are you merely installing a 'bake off' area where frozen dough will be baked in small batches, or are you creating a 'scratch bakery' to produce a great variety of breads and confectionery? Once this decision is made, your best advice is normally available from your equipment supplier. They're geared to design the total layout including the production flow for an efficient outcome. A 'bake-off' can be accommodated in as little as 50m<sup>2</sup> but a 'scratch bakery' requires anything from 150m<sup>2</sup> upwards depending on the number of

ovens, proofers, mixers and production tables required.

**Equipment** – once again, your equipment supplier is positioned to recommend the right equipment for your proposed range and production needs. A decision must also be made whether to use electricity or diesel or gas before ordering equipment. This will depend on what is available in your area, the likelihood of load shedding and your standby generator capacity and the cost of the alternative heat sources – get some expert advice on this matter.

The next decision is the type of oven to be used. Will it be a rotary rack oven or a deck oven or a combination of both? Nowadays, rotary rack ovens produce excellent results for a variety of baked products. Let your supplier take you through the pros and cons of all equipment proposed. For example, the proper way to bake Portuguese rolls was on the floor

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After



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of a deck oven, but modern rotary rack ovens can now produce similar results.

If your production of both square 'government' bread and bread rolls is going to be large, there is no doubt that rotary rack ovens are required as they deliver the volumes needed.

Other 'must haves' include the correct mixers for bread and cake mixing, bun dividers, pastry sheeters and enough stainless steel tables to be able to produce the full range of products.

Always separate the bread and confectionery production into separate areas as they require different skills and enough space to produce good results.

One area that is often neglected is the back-up area in the bakery. Ensure you have enough space for your flour (normally on pallets) as well as all the bread and cake ingredients (normally on shelves). Adequate cold and freezer room space is also required to store fresh ingredients such as butter, cream, yeast, as well as frozen dough products bought in from external suppliers. There should be enough space in the cold room to put in a whole trolley with dough that has not been baked but needs retarding for a future bake.

**Staffing** – if we start with the production team, the first question to ask is, "Do I need bakers and confectioners or can the same

people do both?" The skills are notably different and large bakeries will need both specialists, while smaller ones may cope with the same person(s) to do both.

Bakers who claim to be able to perform both duties should be tested extensively as their experience may be limited to certain areas. The wrong staff in the production area can break a business.

The team must meet with a responsible supervisor or manager every day to plan the production schedule for the day based on the time of the week, the weather, special orders, etc.

There is no need for the production team to work more than the prescribed 45 hours per week. Instead of overtime (and the consequent mistakes that will be made) it will pay to rather have a second shift come in, if the sales justify it.

Confectioners in charge of the production of morning goods and cake confectionery should be able to produce the full range required for a store operating extended hours within their normal 8 hour shift.

Selecting the counter sales team is also important. They must be presentable, literate and be able to interact well with the public. Some municipal departments of health do not allow the open display of fresh foods. This restricts shopper self-service access to the products and creates an added pressure point as every item must be served by a staff member wearing hand gloves with hair covered which slows the sales process. Where open display is allowed, the number of sales staff can be reduced. There is no doubt that sales from open self-serve displays are much higher than when goods are served from behind a counter.

**Range** – today's modern supermarket bakeries are increasing their ranges dramatically in order to compete better with their peers.

The bread ranges have now expanded away from the conventional square loaf to include many artisan breads. These not only cater for a variety of expats in the area, but are also enjoyed by South Africans who have become more adventurous in their tastes and the way the dinner table looks. So, it is now common to find new and exciting breads such as French, rye, ciabatta, cheese, olive, rice, garlic and more in supermarket bakeries.

The confectionery range has also grown and it's important that the correct method is used to produce speciality products such as croissants (the French way) or pasteis de

## HEALTH TRENDS AND BAKERY



- Generally, people are trying to eat less bread if not cutting it out all together.
- However in the rural area people are still eating white and brown bread with no slowdown in sight.
- Seeded breads with nuts, no sugar and lower salt are gaining popularity.
- Some 20% of the 8 – 10 LSM groups are looking for gluten free breads and this trend is moving into the urban black market as they are widely gluten intolerant. This is particularly true of those in the 8 – 10 LSM group.
- So, many people are switching to the likes of Pro-Vita. At the same time wraps and Arabian flat breads are perceived healthier bread alternatives. Flat breads have no sugar, very little fat and no emulsifiers and may have natural preservatives.

nata (the Portuguese way) or proper rye bread (the German way). Premixes can be used, but nothing replaces original recipes produced by expert bakers who have tried various ingredients and baking temperatures. Many expats now live in South Africa and they are discriminating buyers of baked goods, but great supporters once they find their favourite bread or cake.

A new wave of bakery products that is now entering the country consists of Greek and Middle Eastern ranges from countries such as Israel, Lebanon, Turkey and the like. So, consider sourcing well-produced kandaifi or halva or kourabiethes or baklava for your customers. Your customers will love the selection as well as basic ranges of pita breads and wraps.

**Price and profitability** – in bakery, the saying applies, "The quality is most important at the time of the bite; the price less so."



## COFFEE SHOPS

There's a strong relationship between coffee and bakery products especially confectionery.

This is evidenced by a trend for independent bakeries to open with coffee shops. Checkers is one supermarket group that is following this trend by locating a coffee shop offering with their bakeries. A big advantage of this combo is that shoppers try bakery products in the coffee shop and then shop for them in the store to take home.

If there's no room for a sit down coffee offering a take out offering can boost the sales of sandwiches and morning goods.

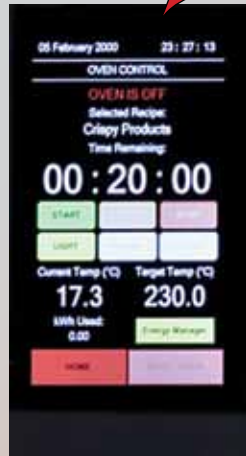




# TOMBAKE CAN HELP YOU KEEP UP WITH TECHNOLOGY

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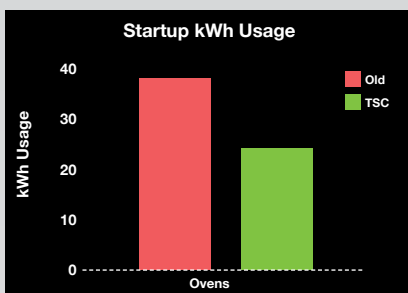
**Touch Screen Control**



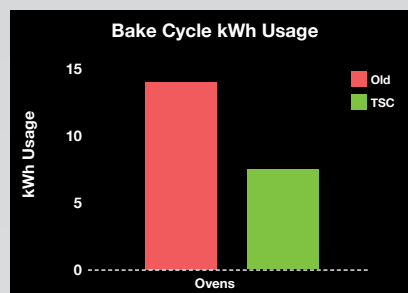
New Touch-Screen Control (with energy management) vs Old Manual Control Oven

**The purpose of the case study was to compare the energy usage of the new Touch-Screen Control (TSC) oven against the old Manual Control Oven**

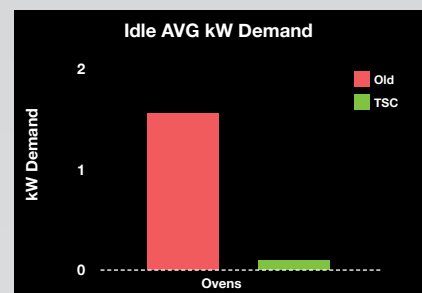
Both ovens were measured using the same Electrex GIGA Box Energy monitoring system under exactly the same situation with same temperatures, steam and baking times over a period of 2 days at the Tombake premises



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Nevertheless, after pricing your bread and rolls at the appropriate competitive level, you can be quite creative when pricing the rest of the bakery range.

Self-service, pre-packed cakes should always be priced well for rapid sale, but the margin can be tweaked for items that are more complex and require service.

The margin to aim for in the bakery is 40% as one must cover mark-downs and wastage that cannot be avoided. The first loss is always the best loss in a bakery and one should not be scared to 'reduce to clear' bakery products before they reach their sell-by date. A huge loss can occur through over-production and the consequent wastage that occurs; however, under-production can also create loss as more product could have been sold than planned. Staff must be encouraged to keep a record of the time of day the different lines are sold out, so that the production patterns can be tweaked appropriately.

It pays to watch the competition and to adjust prices a couple of times per year, as it is very easy to remain at the old prices when input costs (both materials and manpower) have increased.

**Promotion**

The bakery is a great place to use a variety of clever promotional ideas.

Starting from the KVI's which must be well priced, highlighted with ticketing and advertised on a regular basis, the store's promotional programme should cover both bread and cake confectionery to show shoppers the mouth-watering range available. Week-end specials work well for bakery counters and much can be done to promote them in-store with the judicious use of the PA system.

Tasters are a must and should be encouraged every day of the week and not only for special occasions. How many people have tried your olive bread or the new muffin flavours just launched? "Try it, you'll like it" is a phrase that can be used in a bakery *ad infinitum*.

As can be seen, a bakery can be a very profitable and dynamic part of a store's offer. It can even help create its reputation. However, lack of production control and wastage are two main enemies that can reduce the profit dramatically and even produce a loss.

Happy baking!



**BEING FULLY STOCKED vs. WASTAGE**

What do you do if you want your bakery to be fully stocked at 5pm when your bakers go off at 4pm? If you bake up a storm before they go to fill the shelves you will end up with impossible wastages in the 20 – 25% range.

One solution is to switch to par baked product. You can get ciabatta, rye breads, seed breads, rolls and buns in this format. A staffer can then say to a customer wanting a particular product: "Please continue with your shopping and come back in eight minutes". Then all they have to do is pop the par baked version of the requested product into the oven and it will be ready in eight minutes.



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## Is a bake-off operation right for you?

When planning a new store, South African retailers have traditionally stuck to the "scratch" bakery approach which entails:

- About 150m<sup>2</sup> to 300m<sup>2</sup> of total space
- Capital expenditure exceeding R1,5 million
- Over 10 staff in the production area alone, of which some must be bread experts, and others confectionery specialists
- A large amount of space to store flour, pre-mixes and bread improvers
- Storage space for raw materials, ingredients, pre-baked goods and finished product
- Separate cold and freezer rooms

This trend to full scratch bakeries is not only peculiar to South Africa but also to other countries where labour costs are still affordable and the employment of many people still possible. The reality is that baking skills here, as elsewhere in the world, are declining at a fast pace and many people in the industry have told *Supermarket & Retailer* how difficult it is to find and keep good calibre bakery staff.

One retailer commented "Once I send my bakers for extra specialised training not only do they expect a substantial increase in salary but they also get poached by the competition." This short-sighted opinion is not only wrong, but illustrates the lack of focus in skills development that the industry faces. What the retailer in question should rather be doing is to harness the skills of his newly-trained staff and incentivise them to produce better quality and better profits for the store in return for a just reward.

Traditionally, South African scratch bakeries (those producing most of their range from scratch) have the following purchasing ratio: 50% of products produced in-house from original raw materials; 30%/20% of products sourced frozen or par baked; 20%/30% sourced from outside bakeries. Chain stores are now producing quite a range of product from their central bakeries while others have their bakery products privately labelled and supplied from preferred suppliers. And, of course, sliced bread is sourced from large bakery groups as the South African public enjoys the shelf life.

As the above costs and challenges continue to increase (not to mention energy costs) the time is ripe to look at our American and European colleagues and the learning curves they have gone through. At the recent IBIE

(International Baking Industry Exposition) conference, it was very obvious that the trend away from scratch bakeries is moving apace.

Retailers can now plan on a much smaller preparation area and a more economic investment (up to R700 000) and still achieve spectacular outcomes in their stores. But it all starts with the planning. "Get together with your equipment and product suppliers at the start of the process," said one American retailer, "and you will be amazed how much you will save while still producing a big range of mouth-watering products. Your customers will still enjoy your bakery but your return on investment will be spectacular."

As you plan your new store, consider allocating a smaller area for the back-up of your 'new age' bakery. Consult your equipment supplier on the best equipment to produce the best ranges. Limit your scratch products to some basic signature products that will make a name for your store. Talk to the many suppliers of par baked, chilled and frozen products now available and surprise yourself at the range and profitability available to you.

Says Hannes Hotarek, managing director of Goosebumps, who supplies a wide range of frozen dough and confectionery products "Some of our customers produce up to 35% gross profit on our ranges and zero wastage, as they have turned their business into a fine art of ordering properly, issuing the correct stock daily and only baking their requirements without having to throw away over-production. Even equipment suppliers are now programming their proofers and ovens to cope with our product range and staff can produce good-looking and great tasting products at a flick of a switch." The beauty of this approach is that, over and above the financial considerations of less space and equipment, a lower level of skill is now required as sales people can be trained to bake off a range of products as and when required. Petrol station convenience stores are a good example of this.

It is obvious that there is still a need to balance the bakery's production between what can be produced from scratch in-store and what can be outsourced. But it is evident that market forces, especially higher labour and capital equipment costs, will push the market towards a more economic, yet still profitable, model.



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# PnP Centre Point goes natural refrigerant



From left to right Dr Wolsey Barnard CEO Sphere, Ray Feng-Ju Shih CFO Sphere, Raymond Ackerman Founder Pick n Pay, Sharkey Simons Regional Coordinator at Pick n Pay.

**When Pick n Pay decided to install its first CO<sub>2</sub> trans-critical system in the Western Cape at their new store in the completely redeveloped Centre Point mall in Milnerton they picked Pro Active Refrigeration for the job. This was a joint effort between Pro Active Refrigeration, Matador Refrigeration and Sphere Solutions.**

The decision to go for CO<sub>2</sub> racks reveals the big push for SA's large retailers to go 'green', and bring local stores in line with their global counterparts.

The Centre Point site had just gone under redevelopment with the demolition of the existing shopping facility to make way for a modern retail centre. The contract value for the redevelopment is estimated at around R270 million and yielded 10 000m<sup>2</sup> of retail space.

Pro Active Refrigeration started on site on 23 July 2018 and, despite many challenges, was able to remain on schedule for the store opening date of 27 September 2018.

## Environment friendly

The choice of CO<sub>2</sub> follows the international phasing out of CFC and HCFC refrigerants and the unknown future of their replacements. This has led the supermarket industry to look to alternative, long-term, future-proof energy-efficient solutions. Carbon dioxide (R744) is rapidly becoming the refrigeration industry's choice for retail and industrial applications due to its favourable environmental properties and efficiency.

CO<sub>2</sub> is a low global warming potential (GWP=1) refrigerant and an excellent choice when it comes to reducing greenhouse gas emissions. It provides high performance and has exceptional properties for heat reclaim, due to its high heat transfer

capabilities. CO<sub>2</sub> also has excellent volumetric efficiency (more than five times the cooling effect per unit volume of R22), resulting in reduced compressor and pipe sizes for the same cooling effect.

As important, CO<sub>2</sub> is widely available as a by-product of several industries and is drastically cheaper than Freon refrigerants. In Europe HFC prices increased 5 times in 2017 and by 2018 had increased 20 times. The price growing in proportion to the GWP. This has a great impact on South Africa as the countries we import from are phasing out HFC gases, creating a supply and demand dilemma and as a result sharp price increases.

An advantage when using a trans-critical CO<sub>2</sub> system is that it only uses CO<sub>2</sub> gas as opposed to a cascade system (generally R134a MT/CO<sub>2</sub> LT).

Another important reason to choose CO<sub>2</sub> is that it can be used safely in public spaces such as retail trading floors, where other natural refrigerants like ammonia are restricted.

## Challenges & solutions

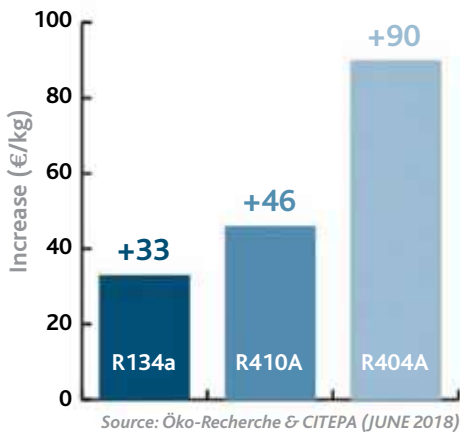
When Pick n Pay insisted that a trans-critical CO<sub>2</sub> system be installed in favour of the traditional sub-critical CO<sub>2</sub>/134A refrigeration system it came with a number of challenges.

No delays were permitted, the cost had to be approximately no



The CO<sub>2</sub> transcritical refrigeration pack was built by Sphere.

## Prices of commonly used HFCs across the supply chain in Europe



more than 10% higher than the previously quoted sub-critical system and no municipal water could be used to assist the gas cooler unit.

In addition, the refrigeration plant room is on the rooftop of the Mall which it shares with residential units while the trading floor is two stories below at the opposite end of the Mall.

A Sphere Solutions trans-critical booster parallel system was designed and built with 10 compressors, four of which run the medium temp, two doing parallel compression, three running the low temp and one satellite low temp compressor.

The system incorporates four variable speed drives one on each lead compressor. The hybrid gas cooler used includes 4 x 910mm EC fans, stainless steel piping and integrated Carel controls.

The entire refrigeration system is controlled and monitored by a Carel electronic control network, that enables remote monitoring and adjustments to be done 24/7. All evaporators are fitted with Carel electronic stepper expansion valves. Cabinets built to the trans-critical CO<sub>2</sub> spec were supplied by Colcab and installed by Recold. Refrigeration tubing to the shop floor is thick walled copper pipe specially imported by Matador Refrigeration and the pipe runs are over 100m each with a vertical lift of approximately 12m, double risers assist with oil return. High pressure piping to and from the gas cooler is schedule 40 stainless steel TIG welded and x-rayed.

Because of the residential apartments, the plant noise level had to be kept to a minimum. The location and direction of installation was thus considered when placing the equipment, 800mm EC fans



The dairy line-up with doors.

were selected for the adiabatic condenser for their low noise. The close proximity to the sea meant that all equipment had to be corrosion resistant.

As no municipal water was to be used in the adiabatic condenser a water harvesting system had to be designed and installed. Water is harvested in the basement from the A/C, cold/freezer rooms and cabinets. It is then filtered in a system designed and supplied by East Midlands Water and then pumped to the roof where it is stored and supplied to the gas cooler as needed.

### Conclusion

As the site is relatively new the plant has only run for few months. Nonetheless, the initial indicators show good performance

levels. Merrick Smith, Pro Active's managing director says, **"We do expect there to be favourable energy savings from the system and we will continue to monitor it's progress."**

Meanwhile Pick n Pay has been happy with the result and is already fitting CO<sub>2</sub> trans-critical systems out at other sites. The whole CO<sub>2</sub> trans-critical project was a successful hands-on cooperation between Pro Active Refrigeration in Cape Town, Matador Refrigeration in Midrand and Sphere Solutions. The combined team notes that optimistic enthusiasm, a high level of cooperation and combined engineering talent ensured a successful project of a quality that their client has come to expect.

### About Sphere:

Sphere Solutions is a Johannesburg-based, black owned sustainability company that focusses on expertly engineered solutions for the cooling environment that are designed to be future-fit. This is also its approach to purposeful business, insight, partnerships, and people.

"We are passionate and focused, and are conscious that every one of our actions must have a significant positive impact. We are mindful of the present and of the future, committed to practical idealism about the role we play in a changing world and the mindsets of all who live in it. We design with a conscience. We create with foresight. We are sustainable by design."

Sphere Solutions manufactures a green, technologically-advanced, customisable range of solutions for all heating and cooling needs. Using their engineering, technical and design expertise, Sphere Solutions produces unique products such as CO<sub>2</sub> trans-critical refrigeration packs, chillers and heat pumps, based on customer size and requirements.



Sphere.



For more information on this and future collaborations contact Maurice Robinson, director Sales & Marketing at Sphere.

email: [maurice@spheresolutions.co.za](mailto:maurice@spheresolutions.co.za) | Cell: 083-285-9888 | Tel: 011-882-3000

# Using recycling as a promotional tool



By Hippo Zourides

**A**s 2019 rolls on, supermarkets in SA are once again embroiled in the usual price wars, special offers, leaflet and newspaper advertising. The same process that has been repeated over the last 50 years!

Maybe the time has come to consider other ideas in addition to these.

In the recent past, some chain stores have had short-term drives to recycle globes or glass or paper. Currently, Pick n Pay branches, for example, now accept PET plastic bottles stuffed with plastic shopping bags (Ecobrick), as a project.

A recycling project is not only applicable to the chain stores, but also independent chains and even retailers with a single store.

We propose that you consider a comprehensive recycling programme as a new tool to show your customers ways of caring for our environment. Millennials and Generation Y, your future customers, will certainly thank you and endorse your outlet as the one to support. And not only will you get additional foot traffic, but also provide a convenient place for the disposal of recyclable waste.

## Where do I start?

We recommend that recycling does not focus on any one specific aspect, such as paper or plastic or glass, but rather that it becomes a comprehensive strategy, properly managed by one or two employees, whose costs can be reclaimed from the disposal of waste.

Employment of a mere box behind the checkouts to collect used globes or newspapers won't cut it. Consider allocating a corner of your parking lot as the best place to establish this programme.

As mentioned, one or two full time staff members will be required to manage the process and keep away unwanted scavengers who will mess it all up for their requirements, which also results in an unsightly mess. It is imperative that the area can be sealed off after hours to restrain access to it. At the same time, enough space must be available for the disposal trucks to be able to access the area and take away the waste for recycling.

As one of the first points in your strategy, it is necessary to contact not only your local municipality before you embark on this project, but also all local recycling specialists, who will become your partners of choice and pay towards the waste collection.

## The recycling offer

We propose that your strategy cover every aspect of the many things that people recycle, with the exception of wet waste, such as food waste and the like.

Here is an exhaustive list of what you could offer as part of your public appeal:

### Paper

Your store probably already has in place a pick-up service that collects all the cardboard arising from your deliveries. Encourage the public to also drop in a specific container newspaper, old documents, magazines and suchlike. A suitable container made of steel columns and chicken wire is an ideal vehicle for the storage of paper. Bailing of all paper is a good way to condense the amount of space required.

### Glass

Secure containers are required for this purpose as you do not want customers to get hurt when dumping their unwanted glass. If space

allows it, provide separate containers for clear, brown and green glass to make it easier for disposal.

### Metal

Here we refer to household metal items such as tins and other metal household products such as a broken pan or a toaster. Do not get involved in large metal items as they require lots of space.

### Plastic

Although there are different levels of plastic disposal, your service should be kept down to the basics and allow your disposal agent to sort out the various types of plastics for waste, incineration or recycling.

### Batteries

A small container is required for this as their disposal is very specific.

## TEACHING MOMENT



- You could limit your service to all of the above and your customers would certainly thank you for the service provided and support your store.
- More sophisticated disposal processes can also include old computers, medicines, and even clothing.
- Spend some time planning this new strategy and ensure that you get the required marketing mileage from your customers. Your store website and Facebook page are two obvious marketing media to be used. Also call your local community newspaper who are always looking to local news for their readers.
- Differentiate yourself from your competition and make a mark in your community.

# The recycling opportunity – 79% of shoppers actively recycle something



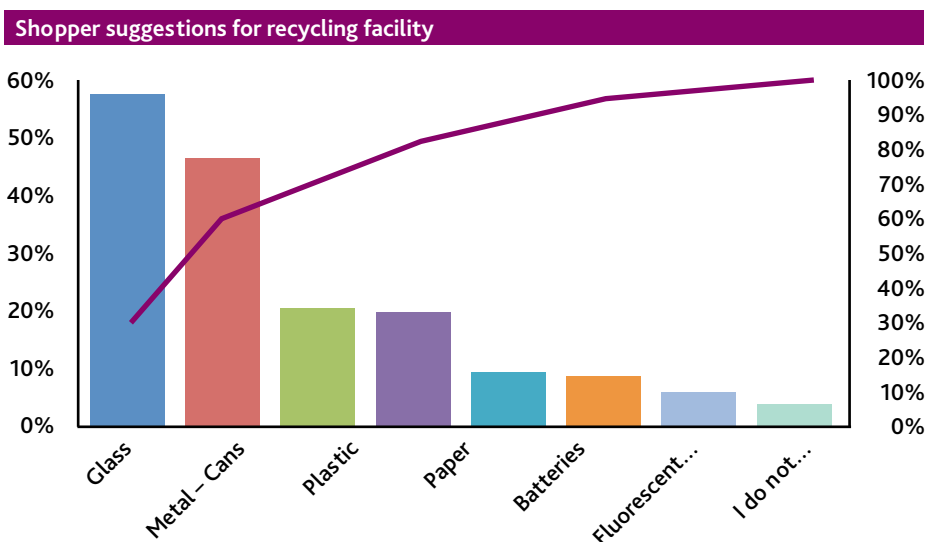
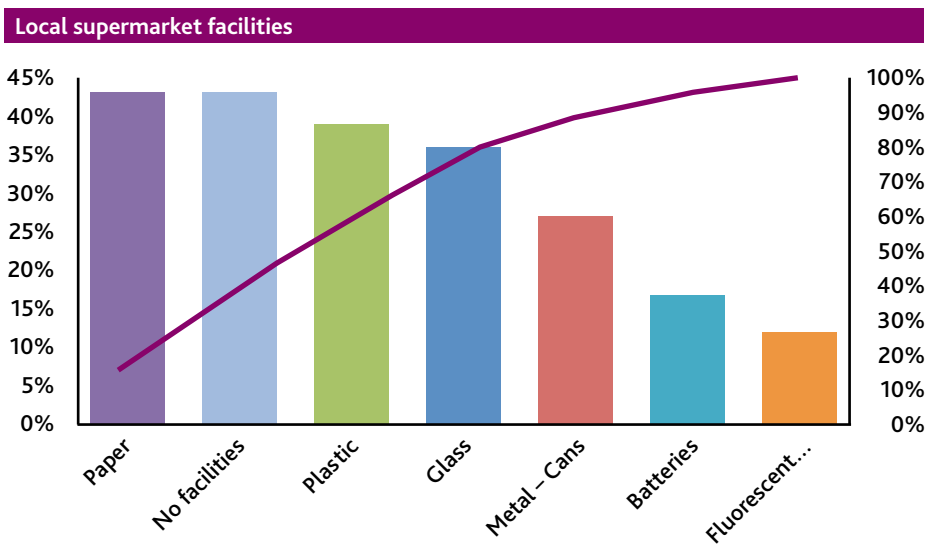
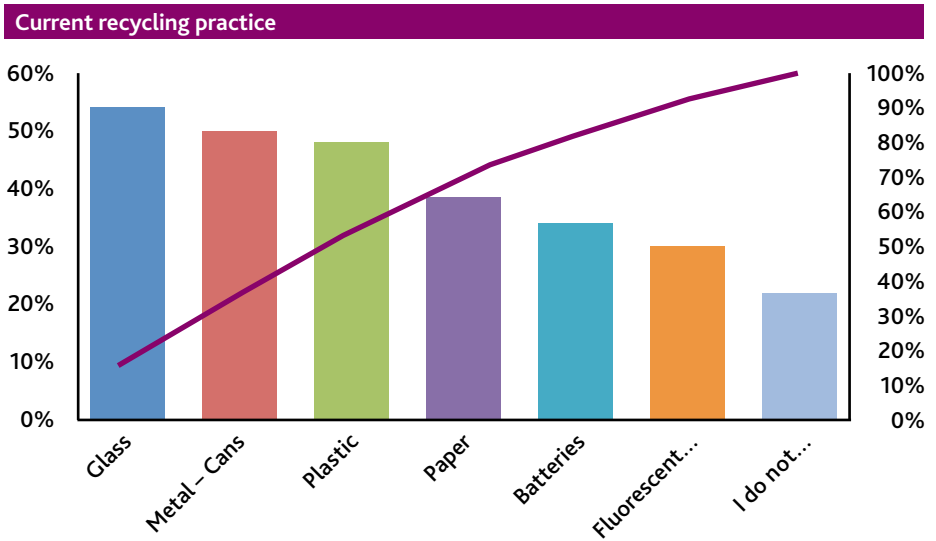
Here's the store loyalty business proposition. If you are able to successfully identify and be seen to be effectively addressing important community needs, you'll build store loyalty. In the case of providing recycling facilities you'll also create another reason for shoppers to visit your store.

To find out just how important recycling is to consumers, what they recycle and their potential support for stores with recycling facilities, Field Agent invited 140 of their agents (shoppers) to complete a random at-home survey.

- Only 21% of them did not participate in any recycling activities at all
- However, 98% of them believed that recycling is a noble cause worth supporting
- 57% of their local supermarkets did not offer any recycling facilities.
- The most popular products for recycling are glass and metal, while existing supermarket facilities favoured paper and plastic...

It was interesting to note that 5% of paper disposal was done via shredding, and another 5% of plastics were kept for re-use at home. With regard to numbers, the 35-44 year age group appeared to show the most loyalty influence by recycling.

What would attract them to use a supermarket recycling facility? They mentioned, clean, safe, tidy, secure, actively looked after. Some of the facilities they are currently using to dispose of waste like municipal waste sites are anything but this.





# Cool got cooler with the **NEW** 6-cylinder compressor HG66e

Available from May 2019, GEA's newest compressors are characterised with even greater resistance and higher efficiency.

GEA presents the HG66e, a new semi-hermetic compressor. The HG66e is a completely new 6-cylinder series for large capacities with high efficiency. With the HG66e series, four sizes cover the range from 116.5 to 180.0 m<sup>3</sup>/h displacement (at 50 Hz). The new HG66e series thus combines state-of-the-art technology with GEA's design standards, which have been tried and tested for decades. The compressors of the HG66e series replace the previous 4- and 6-cylinder series HG6 and HG7. GEA now offers seven model sizes with 25 displacement stages from 5.4 m<sup>3</sup>/h to 281.3 m<sup>3</sup>/h (at 50 Hz) in the entire HG series ranging from HG12P, HG22e, HG34e, HG44e, HG56e, HG66e and HG88e.

For more information on the HG66e contact Naeem Fakir at GEA Africa on +27 11 392 7114 or [naeem.fakir@gea.com](mailto:naeem.fakir@gea.com)





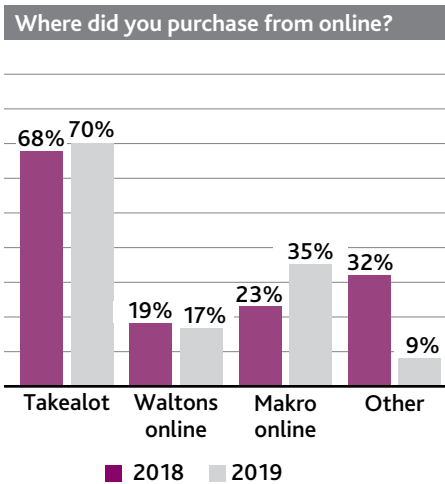


# Back to School shopping – volatile changes year on year

Where consumers bought their Back-to School supplies this year versus last year may well be a cause for concern for many store operators.

That's one of the outcomes of a Field Agent survey conducted this January and overlaid against similar research done in 2018. While Pick n Pay is still ahead of the pack in terms of stores shopped, its lead has shrunk significantly. In fact all the stores but Waltons named in the survey lost share of the respondents' shopping for this event with Spar taking the biggest percentage knock.

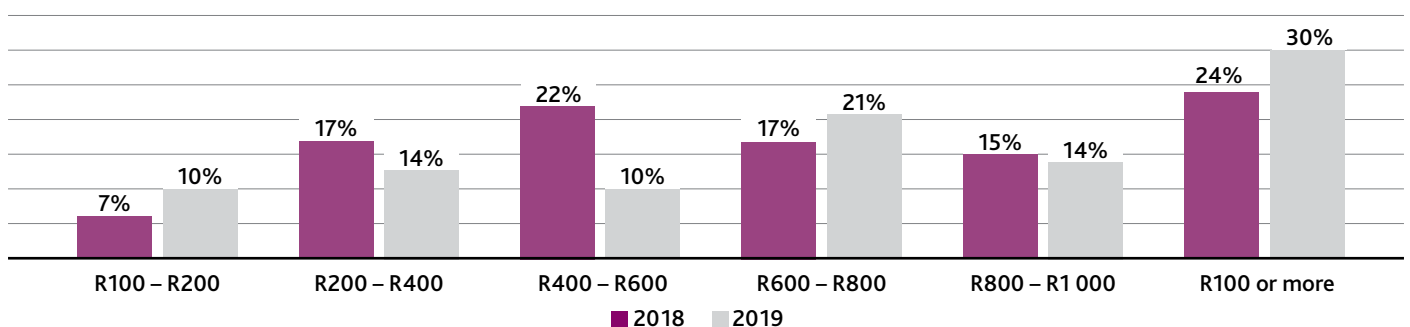
While it's not clear whether this result



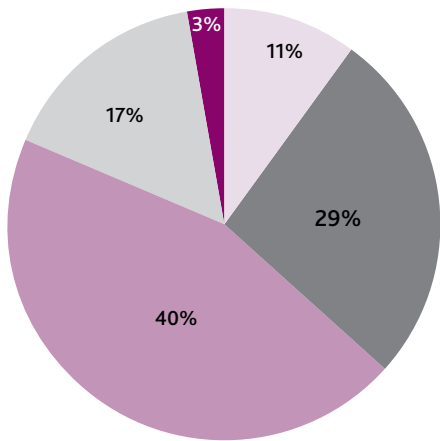
reflects shoppers concentrating their Back to School shopping across fewer outlets, it is interesting to note that some 40% of shoppers participated in pre-shopping purchases, either through the school or a third party. At the same time the online players share of shopping looks relatively stable but many respondents expressed interest in shopping in-store rather than online.

Price remains the key reason for choosing one store over another (77%). This was followed by quality with numbers of respondents commenting on products not lasting then convenience and availability. On the question

**How much money did you spend?**



When did you plan to do your shopping?



- 1-2 weeks before school starts
- 1 month before school starts
- The week school starts
- At least 2 months before school starts
- After school started

of availability some 35% of respondents complained that lots of items were out-of-stock but this is an improvement over 2018 when 52% complained.

Small ranges in some outlets was another complaint.

The importance of Back-to-School shopping to consumers is reflected in the fact that 40% planned for it a month or longer before schools started. A number also reflected that they should start the shopping earlier in order to budget better for it.

Shopping for the event is stressful at best. Slow checkouts can crown the experience with a real negative in the customers mind that will affect their willingness to return to the store.

“ The online players share of shopping looks relatively stable but many respondents expressed interest in shopping in-store rather than online. ”



About Field Agent

Crowdsourcing via smartphones gives Field Agent an unbiased, real-time understanding of consumer shopping habits and frustrations. This assists retailers and marketers to focus on relevant operational issues and reinforce customer loyalty and shopper satisfaction. Feedback is collected through photos, videos, audio, timers, barcode scanners, and a general survey platform, capturing consumer insights instantaneously.

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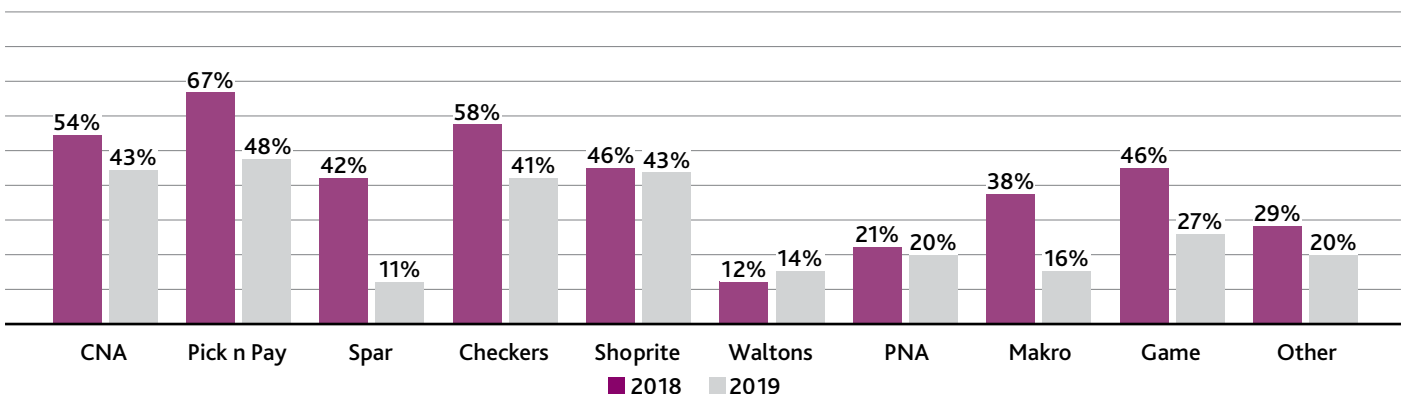


TEACHING MOMENT

Some of the suggestions from respondents to make the event a better experience included:

- Make more stock available – more choice
- Staff should replenish the shelves immediately.
- All the Back-to-School items should be merchandised in one place
- All the tills should be open during the event.

Where did you go to buy your supplies?



# Christmas Shopping

## Changes in categories and stores

There's no doubt that for many who celebrate Christmas and shop for gifts it is a time of stress. Some 35% of respondents in Field Agent's 2018 survey on the subject described themselves as doing this shopping in the 5 days preceding Christmas.

For these last minute shoppers the quicker they are able to complete checking out the better the shopping experience.

By contrast 28% said they did their Christmas shopping throughout the year which suggests that gifts need promotion throughout the year albeit less intensely.

When the results of this survey are overlaid on a similar survey conducted in December 2016 some remarkable swings in the categories purchased and the stores shopped can be seen. The most popular store for gifts in 2018 was Clicks, this is a shift from 2016 when it was found to be Game Stores.

“ For bricks and mortar retailers it's of interest that some 74% of shoppers indicated that they were likely to purchase on line. ”

Average planned expenditure on children was around R500. The most popular children's items in 2018 were "action toys", this is a remarkable swing from "clothing" in 2016. Perfume and cologne remain the most popular gift for spouses in 2018, growing by a further 12% over 2016.

For bricks and mortar retailers it's of interest that some 74% of shoppers indicated that they were likely to purchase on line. This is a growth of 4% over 2016. One way of fighting back would seem to be through more enticing displays. Some 32% of shoppers said that product displays are very influential when



When purchasing holiday gifts this year, which retailers have, or will receive, most of your business?

| Name of store | 2016 | 2018 |
|---------------|------|------|
| At Home       | 13%  | 19%  |
| Ackermans     | 8%   | 14%  |
| Checkers      | 17%  | 26%  |
| Clicks        | 35%  | 40%  |
| Game          | 38%  | 28%  |
| Makro         | 19%  | 11%  |
| Mr Price Home | 18%  | 20%  |
| Pick n Pay    | 11%  | 13%  |
| Toys-R-Us     | 38%  | 16%  |
| Woolworths    | 29%  | 16%  |

Which of the following are your children likely to receive for Christmas this year?

|                         | 2016 | 2018 |
|-------------------------|------|------|
| Video games             | 29   | 24   |
| Athletics/sport-related | 27   | 15   |
| Arts/crafts             | 35   | 26   |
| Audio/music             | 22   | 23   |
| Blocks/building         | 33   | 23   |
| Cash                    | 17   | 23   |
| Clothes                 | 51   | 37   |
| Dolls                   | 34   | 31   |
| Games/puzzles           | 35   | 22   |
| Mobile device           | 11   | 14   |
| Action toys/figures     | 37   | 46   |

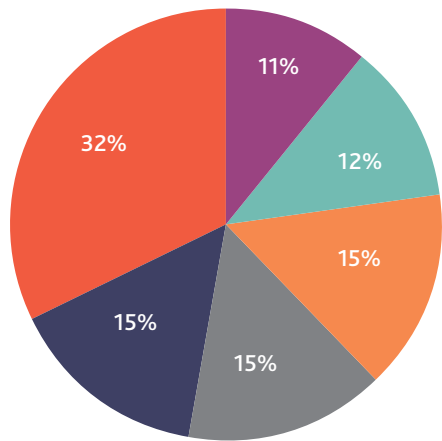
As you purchase gifts this year for your spouse, which category would you consider?

|                      | 2016 | 2018 |
|----------------------|------|------|
| Perfume/cologne      | 44   | 56   |
| Jewelry              | 29   | 28   |
| Entertainment        | 11   | 14   |
| Travel/trip          | 13   | 21   |
| Clothing             | 42   | 37   |
| Cosmetics            | 13   | 13   |
| Smartphone           | 6    | 16   |
| Gift card/cash       | 13   | 16   |
| Power or hand tools  | 19   | 10   |
| Smartwatch/wearables | 13   | 7    |

Which of the following are particularly important to you as you shop for and buy holiday gifts?

|                 | 2016 | 2018 |
|-----------------|------|------|
| Affordability   | 69%  | 74%  |
| Brand name      | 20%  | 27%  |
| Good gift giver | 33%  | 26%  |
| Good reviews    | 19%  | 32%  |
| Convenience     | 33%  | 38%  |
| Surprise        | 34%  | 32%  |
| Tradition       | 3%   | 8%   |
| Trends          | 18%  | 24%  |
| Quality         | 51%  | 56%  |
| Unique gifts    | 30%  | 27%  |
| Sentimentality  | 43%  | 41%  |

How likely are you (past or present) to buy at least one holiday gift for your pet this Christmas?

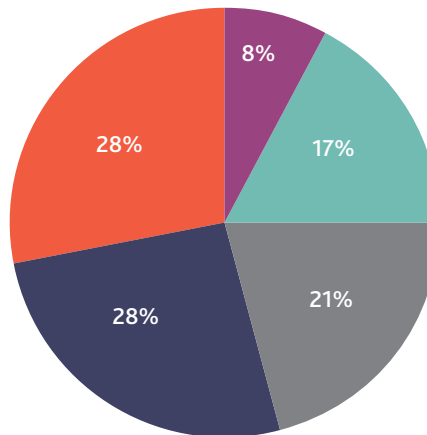


■ Moderately likely 
 ■ Not very likely  
■ Completely likely 
 ■ Very likely  
■ Not at all likely 
 ■ I do not own a pet

doing their Christmas shopping.

Affordability and quality were still the two most important factors when choosing a gift both of which increased by 5 percentage points over 2016. One interesting finding relates to pets. Some 60% of pet owners said

How likely are you (past or present) to shop online for gifts this holiday season?



■ Not at all likely 
 ■ Not very likely  
■ Completely likely 
 ■ Very likely  
■ Moderately likely

they were completely to moderately likely to buy their pets at least one holiday gift!

**About Field Agent**

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**TEACHING MOMENT**

Some of the suggestions from respondents to make the event a better experience included:

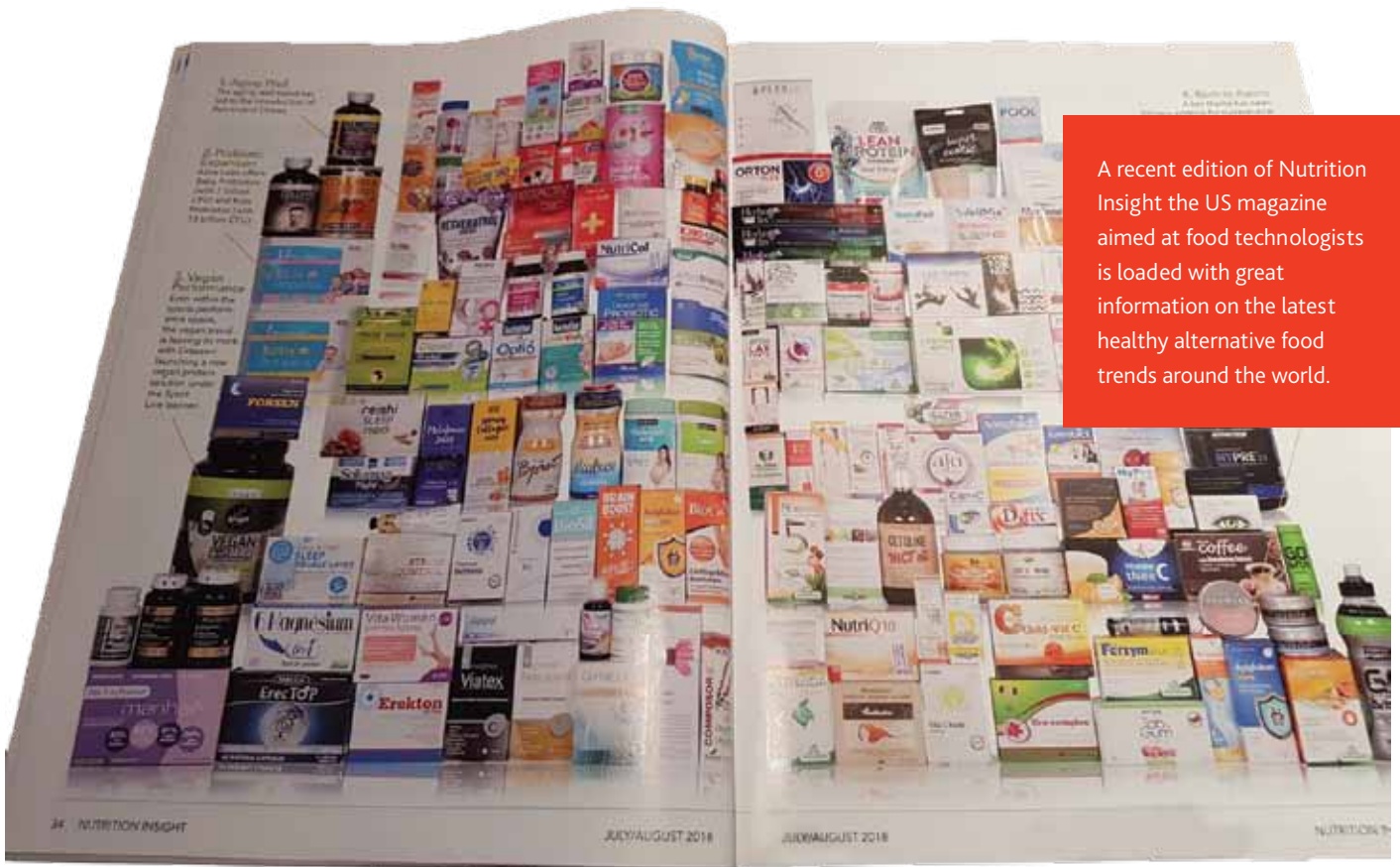
- Make more stock available – more choice
- Staff should replenish the shelves immediately.

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# Global insights into the nutrition revolution – how are we behind?



A recent edition of Nutrition Insight the US magazine aimed at food technologists is loaded with great information on the latest healthy alternative food trends around the world.

By Hippo Zourides

South African food manufacturers and retailers have been slow to launch new products that address the health needs of the new consumer. Elsewhere in the world the development has been dynamic and rapid.

Demands by consumers for healthier alternatives is not something new. It is not just the Millennials that demand better nutrition, but many of the older generations suffering from a wide range of ailments have been advised by their medical practitioners (conventional and alternative) to search for better, healthier, but still convenient foods.

South African food suppliers, be they branded companies or chain store private label developers, have yet to follow up on this demand. Yes, there are the odd product launches that claim to contain less sugar or less salt or no preservatives, but the numbers are small and there are no major visible marketing strategies to educate the public about healthier choices.

Chains such as Dis-Chem, Clicks and Wellness Warehouse have led the way in this new field, but one should not have to go to a pharmacy or health food store to find these options. Every supermarket should consider increasing its health ranges, while at the same time employing qualified advisors to assist the public to make the right choices.

The latest edition of *Nutrition Insight*, an American magazine aimed at food technologists, is loaded with great information on the latest healthy alternative trends worldwide.

Here are some of the highlights.

### Superfoods

Research company Innova Market Insights outlines some of their latest findings:

- There has been an overall 34% annual increase worldwide of products labelled 'super foods'
- In 2017 in the UK, four in ten consumers have increased their consumption of healthy foods

● The top health platforms over the last four years are focused on

- High protein +63%
- No added sugar +60%
- Gluten-free +52%

● Emerging food categories include

- Snacks, seeds and nuts +104%
- Drink concentrates/mixes +99%
- Cereal and energy bars +60%

● The growth by continent looks like this

- North America +26%
- Latin America +75%
- Europe +45%
- Asia +20%
- Australasia +41%
- Middle East/Africa +103% (albeit from a small base)

● The fastest growing superfood ingredients are

- Pumpkin +88%
- Goji +63%
- Maca +56%

## Eating green

The other trend that is emerging worldwide is green eating and plant-based foods. These have grown over the last four years by +62% and the world meat substitute market will be worth US\$4,2b (over R64 billion) by 2022.

The key drivers of this market include:

- Plant proteins, with growths in rice protein (+39%), pea protein (+39%) and soy protein (+10%)
- Active botanicals – spirulina (+37%), green coffee extract (+23%) and green tea extract (+10%)
- Sweeteners – stevia (+16%) and monk fruit (+15%)
- Herbs and seasonings – lovage (+23%), chamomile (+27%) and lavender (+33%)
- Colouring in foodstuffs – carrot concentrate (+25%) and red beetroot juice concentrate (+27%)
- Sprouted products have grown by 17%

## Nutrition gamechangers

According to Peter Wennstrom, founder of The Healthy Marketing Team, there are six global trends that are changing the way

food should be produced, accompanied by recommended strategies. The six trends are:

- **FOOD** is now seen as a tool for health and wellness
  - **Strategy:** "Brands and businesses need to offer nutritional and functional solutions with ingredients that actively help build and boost the consumer's body and health, combined with more education," says Wennstrom
- **PEOPLE** are multiplying, getting older and wealthier
  - **Strategy:** "Products must customise nutritional solutions to the very specific needs of each life stage"
- **RESOURCES** are becoming more scarce
  - **Strategy:** "Companies need to scrutinise their whole supply chain and look for opportunities to reduce their climate impact and streamline their resource utilisation"
- **PRODUCTION** is moving towards natural ingredients and transparent processes

- **Strategy:** "Both ingredients and production techniques need to be natural and easy to trust and understand by the customer"

- **TECHNOLOGY** is empowering consumers who are getting savvier by the day

- **Strategy:** "The marketplace is changing from a product-driven to a consumer-driven future. Your future strategy must be consumer-centric with new technological solutions to monitor and cater to the unique needs of individuals"

- **SCIENCE** is constantly finding new ways for a smarter future

- **Strategy:** "Develop targeted nutritional approaches that will prevent (and in some cases, cure) different health conditions".

So, the call is out! Let South African producers of new food options, be they multinationals or small entrepreneurial producers or chain store private label developers, take heed of the global trends and produce new options for our savvy consumers that will create even more loyalty to your store.

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Conventional supermarkets are evolving apace. Their most evident innovation is the attention paid to the fresh departments. Best Before is a new concept that goes against the trend – in fact, there is not one fridge and/or perishable item in sight.

Hippo Zourides  
Storewatch

## Best Before

The outside of the building is very simple, but the message is clear. Branches are now open in Wendywood and Edenvale.

### Who would have thought that goods close to expiry date would make a retail business?

Located in Wendywood, Sandton, Johannesburg, Best Before has now been open for a year and already, a second smaller branch in Edenvale, in the eastern suburbs of Johannesburg has followed.

Owned by Alain Soriano, the store is dedicated to selling 'close to expiry' and 'best before' dated edible and non-edible grocery products. Whether it's biscuits, teas, coffees, chocolates, sweets, rice, mealie meal, flour, condiments, spices, jams, or cleaning and beauty aids, the store has got them all.

Soriano, who was involved in exporting goods into Africa realised that many of the manufacturers he dealt with had a challenge from time to time with batches of product whose 'best before' date was less than say, 6 months away. Conventional retailers refuse to take these products into their inventory. Yet there is a lot around. Available statistics



Thousands of biscuits are sold from displays such as these, where the price benefit is obvious.



Basics such as mealie meal and flavoured water are displayed in bulk displays.



This 'value wall' re-assures the customer upon entering the store that there is value for money at every turn.



Branded products are sold in multiples to encourage bulk sales.

indicate that some manufacturer's may have as much as 20% of their production that falls into this category.

**Concept**

Before venturing into the business, Soriano did due diligence into the legal and health regulations surrounding product expiry dates. It became obvious that 'best before' is an

aspect of the life of a product that still allows it to be sold, provided consumers are made aware of what they are buying.

Satisfied with his legal advice, Soriano approached a number of suppliers about disposing of their products in this category. At first, the response was muted.

Only a few suppliers took advantage of the offer. Today, after trading for a year,

This sign is the basis of what the business is all about. The legalese has been converted into consumer-friendly language and the client is no doubt of what he/she will find in the store.



**Copy of the legal disclaimer**

THIS STORE SPECIALISES IN SELLING FOOD AT DISCOUNTED PRICES THAT EITHER HAS A SHORT TIME UNTIL IT HAS REACHED ITS PRINTED "BEST BEFORE" DATE OR IS ALREADY AT ITS PRINTED "BEST BEFORE" DATE.

**Definition:** "date of minimum durability – 'Best before' or 'Best before end' – means the date which signified the end of the period under any stated storage conditions during which the product will remain fully marketable and will retain any specific qualities for which tacit or express claims have been made. However, beyond the date, the food may still be perfectly satisfactory.

Dept of Health media statement dd. 9 March 2010

'Best before' date to be mandatory for non-perishables but no prohibition regarding placed on the sale thereof after the date has expired in view of it relating only to the optimum freshness, thus quality aspects, of these products.

**This means that**

The "best before" date does not provide a health and safety guarantee. The "best before" date provides only a quality guarantee up to that date, Therefore, after that date, the product should still be safe for consumption, unless the container is showing signs of rust, is blown, is damaged or has been opened.



Best Before has a regular supply of product from more than 36 suppliers and the number is growing exponentially.

The secret of marketing the concept is that consumers are left in no doubt about what they're being offered. Both on entering the store and around it, comprehensive signage explains the concept to them and does not claim freshness or newness in any way.

The most prominent sign at the entrance to the store is the legal disclaimer as shown in the column on the left.



The sign is self-explanatory – texture and flavour may be different, but the product is safe for consumption.

Elsewhere, the store is replete with signage that conveys the main concept to shoppers, but which also advises on the terrific value for money offers on display. Hand-written and printed posters abound around the store and the message is "Here is a place of value and the range is appropriate for your needs."

Customers say it is like a treasure hunt in the store. Alain says this is because they have products that are unusual and products that you don't see everywhere. It is also because the items they offer change all the time depending on what they get from suppliers.

Many local charities have discovered the store and often pop in to buy in bulk for their required needs. The savings on the product

price assists them to stretch their budgets to the maximum.

Regular clients come from Sandton, Alexandra and Marlboro, which ensures a multi-cultural and varied income customer profile for the store.

**The store**

The store is low cost. Fitted with industrial shelving, it also has lots of open space where pallets loaded with merchandise are displayed.

However, good lighting and evaporative air-cooling ensure a pleasant and comfortable shopping experience. The store only employs seven people. In addition to being well-trained on the product range and its benefits they



The company refund policy is very fair, and customers have 7 days to return any products that do not meet the store's criteria.



Those purchasing in relative big bulk are entitled to further discounts, as agreed to by the store manager.



On Monday's pensioners get a further 10% discount on the low prices.

Best Before often uses the local newspaper to spread the message, but social media is the main promotional platform. Facebook followers now reach over 8 000.



not only merchandise the store, but also cashier at the store's four tills. This very economic operational model ensures profitability.

## Negotiation

Soriano has formulated a gross profit model and this plays an important part in his negotiations with suppliers. Most products in the store sell at about 30% below normal retail prices. In some cases this goes as low as 50%.

Best Before also takes in some stock on consignment to release storage space at the suppliers' premises.

Recently they have received visits from some supplier company CEO's to see the concept for themselves and check that it is both viable and that they have no risk of reputational damage for their products. This has increased the number of suppliers.

## Quality control

Samples of product are regularly sent to an outsourced food testing laboratory. The results have been impressive. Only blown or rusty tines of product have had to be removed from the shelves, but all other products have been proved suitable for human consumption. In some cases, the original taste and/or consistency may be slightly affected, but the food safety aspects are well within the bounds of the law.

A "No questions refund policy" is in place for customers who are dissatisfied with their product purchase within seven days, but Soriano claims that very few products have been returned in their first year's operation.

## Marketing

Best Before uses local community newspapers to tell its readers of the offers available, but social media has taken over the marketing process. Over 8 000 followers on Facebook not only interact with management, but can also view educational videos about the store concept and its offering.

Every Friday an electronic newsletter is published and the reaction by the followers increases with every week that goes by.

A website will also come alive soon.

The business model is not available on a franchise basis, but Soriano wants to expand its footprint nationally on a joint venture basis.

“ Soriano has formulated a gross profit model and this plays an important part in his negotiations with suppliers. ”



Alain Soriano is very proud of his small staff complement and has trained them for superior customer service and product knowledge. Only seven staff members are employed for this model.



Industrial shelving displays all the products from ankle to eye level and reserve stock is kept at the top shelves, ready for replenishment. The range changes as suppliers run out of certain items and the next shipment can consist of different products.



This young shopper was stocking up on pop corn for a forthcoming camping trip.



This Sandton resident, who claims to be a regular, finds the shop appealing and was keen to buy the coffee capsules on display. Other shoppers come from Alexandra, Gallo Manor and Marlboro.



Maggi instant noodles ready to expire in two months' time are sold for only R2.50 each.

“ Samples of product are regularly sent to an outsourced food testing laboratory. The results have been impressive. ”



The ground coffee area displays a large variety of branded products at exceptionally low prices.



A range of products suitable for the Atkins diet are regularly featured in the Best Before shelves.



This display of canned tomato was replenished on a regular basis.

This brand of bottled water (still and sparkling) was available at R5 a bottle.



Even personal care products, such as soaps, skin care, toothpaste, deodorants and shaving creams are also available at very low prices.



Well-known brands abound on the store shelves. Not only local lines are available but the store also sells a range of imported items.



By Antonello Vilardi ([www.retailwatch.it](http://www.retailwatch.it))  
adapted by Hippo Zourides  
International storewatch

External views of Leader Price with its welcoming entrance and ample parking.



## What the French compact discount store Leader Price brings to Italy

Competition in the crowded Italian discount food retail landscape has been amped up with the arrival last year of the Leader Price store concept from France. Owned by the Casino group of stores, the French retailer has made a deal with Italian group, Crai, to launch its typical compact-design stores in northern Italy, based around a distribution centre in Milan.

The French Leader Price group consists of 558 stores and is a well-established brand in the French market, as well as in some other Francophone areas around the world, as far as Morocco, Djibouti, Cameroon and Vanuatu. The French national colours of blue, white and red have been changed for Italy to green, white and red, to match the Italian flag.

Typically, Leader Price stores vary in size from 300m<sup>2</sup> to 1 100m<sup>2</sup>. They are economically built and stand alone with adequate parking. These are grouped into three categories for ranging purposes – 300 to 500m<sup>2</sup>, 500 to 800m<sup>2</sup> and 800 to 1100m<sup>2</sup>. The product range for the larger model consists of approximately 3 200 Sku's of which the majority will be of Italian origin and the balance imported from France.

There is a special focus on fresh produce accounting for up to 24% of sales. Eighty percent of the product range can be classified

as private or confined label.

The stores, which trade from 8.30am to 8pm daily, average four checkouts with scales and very little staff on the floor. The discount model with low overheads has worked well in France and should be able to take root in Italy where four stores were opened initially and a further 16 planned for 2018.

The store layout and décor are minimalist and clean and there is no clutter for the shopper. Fresh departments such as fresh meat, bakery, fish, produce and refrigerated

items are well sign-posted and the stock is pre-packed instead of being in serviced departments. Consumers can even find organic and natural products and the wine range is top-quality and well-priced.

Together with Aldi, Lidl, Penny and many others, the discount model is well established in Italy, but the intense competition is bound to produce some casualties in the future. Leader Price plans to be a survivor with the proposed opening of over 400 stores throughout the country.



The layout is clean and uncluttered and special areas such as the bakery are well sign-posted.



A bulk section is also available where shoppers can buy in case lots and/or shrink-wraps.



The Bio shelving stocks organic and natural products in low profile shelving. LED lighting is well positioned to highlight the products.



The wine section named "Our tradition in a bottle" stocks a complete range of quality wines suited to the Italian palate.



The prepacked fish section is small but adequately covers the needs of the clientele.




Posters advertise the store specials.



Energy efficient refrigeration is a hallmark of the store and all fresh areas are stocked with pre-packed products for self-service selection.

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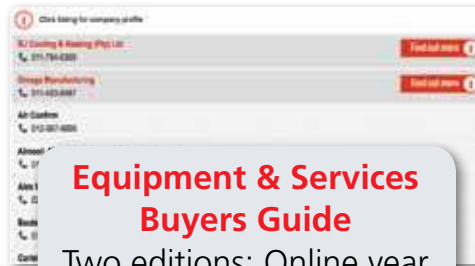
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