

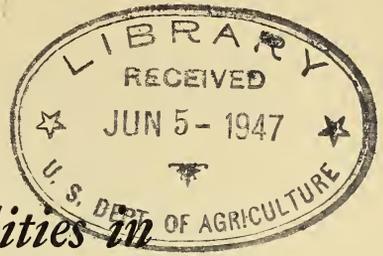
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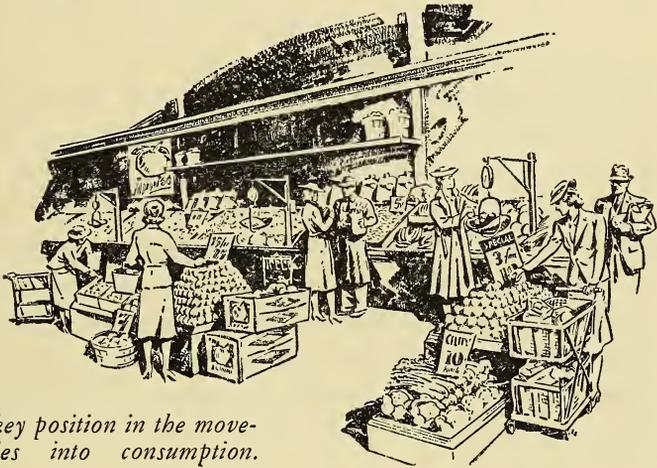


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Pacific Northwest



# *Cooperative Possibilities in* **IMPROVING APPLE SALES**



*Retailers hold a key position in the movement of apples into consumption.*

**T**HE WAY in which a product is merchandised is one of several factors which affects its consumption. An energetic program of sales promotion can counteract to a considerable extent some of the unfavorable influences tending to retard consumer buying.

Sales promotion in its broadest sense is any effort directed toward a sale. It may be an extensive advertising campaign, or it may simply involve the manner in which merchandise is displayed. It may be nothing more than personal solicitation by a sales clerk. Sales promotion may thus call for a considerable expenditure, or it may cost relatively little. The extent to which it can be used most profitably is a question closely related to the marketing of almost every product.

In the cooperative marketing of apples the matter of sales promotion also raises the questions "by whom?" and "how?". Some basis for answering these questions is contained in a recent study of retail outlets

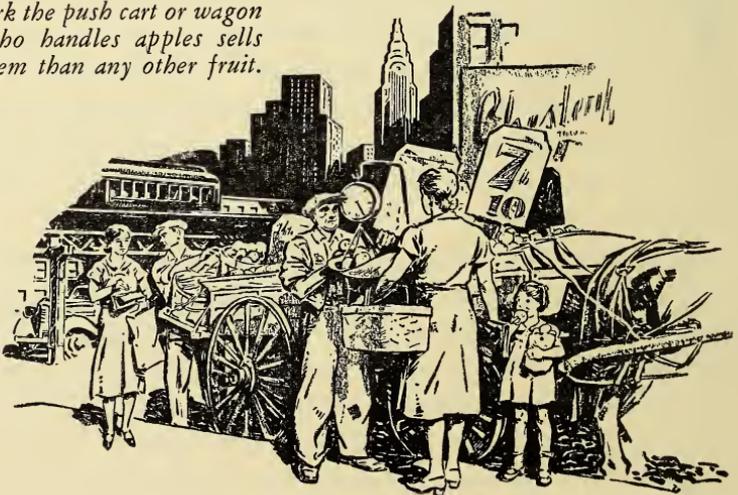
for apples and other fruits in New York City including all the large chain-store systems and 1,790 independent retail dealers.

### *Trade Gives Apples But Little Sales Effort*

The three markets, Los Angeles, Chicago, and New York, unloaded in 1938-39 some 5,600 cars of Washington and Oregon apples, or 18.5 percent of the shipments from the two States. This compares with over 8,700 cars or 23.8 percent of the 1931-32 shipments. The channel by which most of the apples move into consumption in these markets is through brokers, carlot buyers and job-lot buyers, and thence to retail stores, restaurants, and other outlets. It is these handlers, therefore, who are now depended upon for any direct sales effort in selling apples.

As the study discloses, the wholesale and jobber firms handle a variety of commodities and therefore do not give special attention to any one commodity. Their services have been, and probably must continue to be, primarily mechanical and confined chiefly to getting their respective share of whatever business comes along. To put it another way, their activities are mainly in competing with each other. They attempt to have on hand such kinds and quantities of apples as are readily asked for by their customers, but there has been little or no effort in trying to develop new or more ample outlets. If supplies accumulate and there is need of greater sales volume, competitive price cutting is usually resorted to in order to move stocks. Demand is left to take care of itself.

*In New York the push cart or wagon huckster who handles apples sells more of them than any other fruit.*





*The wholesalers' service is largely confined to having on hand the kinds and quantities of apples that are readily called for by the retailers.*

Further along the distributive channel, the study showed that retailers generally contribute no special sales effort. Retailers, as would be expected, are primarily concerned with learning and satisfying existing consumer desires in hundreds of foods. They are interested only slightly, if at all, in promoting the sale of merchandise which their customers have not already decided to buy or readily consider buying. Their energies are pointed in the direction of handling those things that have a good consumer demand. When it comes to deciding what foods to have in stock, they are influenced primarily (1) by their own sales experience and (2) by what their competitors are doing. It is in this direction that their profits lie.

Looking at it from the viewpoint of the retailer, his attitude is entirely logical. If he happens to be operating an independent grocery store in New York he will stock between 400 and 800 individual food items. The delicatessens will average about 800, while fruit and vegetable stands will stock about 60 items. Such large numbers of commodities, sold for the most part in small units, seriously restrict the amount of personal attention a retailer can profitably devote to an individual item. Apple growers therefore cannot expect the retailer to be familiar with the virtues of their particular fruit, or to give apples any special sales attention on his own initiative.

### *Retailers Can Be Induced To Promote Sales*

There are certain conditions, however, under which retailers are generally willing to expend a somewhat greater sales effort, and thereby

contribute toward increasing sales. The first of these conditions is an attractive gross margin or "profit."

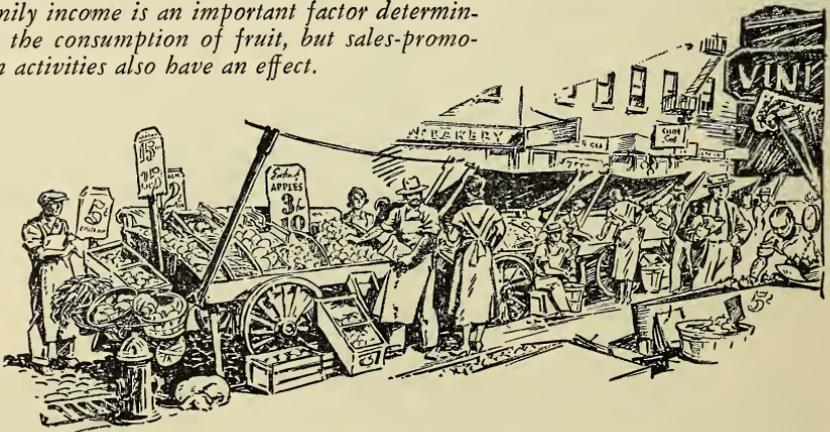
It is an often-repeated theory among growers and shippers that one of the stumbling blocks to increased apple sales is a too-wide margin taken by retailers between their cost price and their selling price. The New York survey furnished some facts concerning this question. For example, it showed that there apparently is a direct relationship between more profitable margins and higher apple sales. This relationship held generally true in fruit and vegetable stores, in grocery stores, and with push-cart or wagon hucksters.

In other words, the economic interests of apple growers in gross retail margins would seem to require, for one thing, that such margins be remunerative enough to encourage retailers to handle their apples and make them available to consumers. The dealers' interest in apples obviously is influenced by whether they are an item which is financially interesting. If they are, there exists an incentive for sales effort.

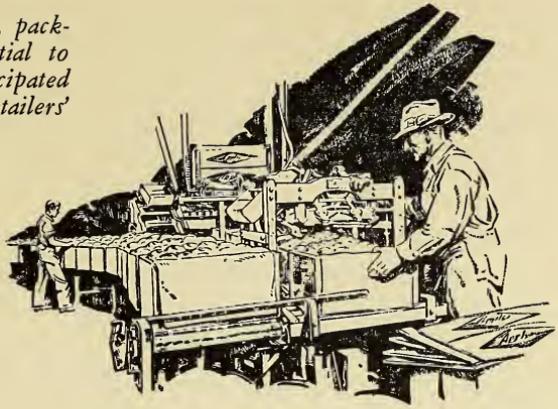
Another incentive for sales effort is sales help. It is a matter of common observation that when dealers consider a commodity reasonably profitable, they will "push" that commodity if they are given sales helps to do so. It follows that if retailers and their clerks are to become enthusiastic and well-informed apple salesmen, it is important that some interested group prepare attractive sales programs and display material, and induce retailers to use them.

Jobbers and wholesalers, as has been pointed out, both have wide lines of produce to merchandise. They cannot be expected to initiate

*Family income is an important factor determining the consumption of fruit, but sales-promotion activities also have an effect.*



*Care in growing, harvesting, packing, and handling is essential to minimize spoilage—and anticipated spoilage may cut down the retailers' orders.*



such a sales effort on a single product, and particularly not upon a single brand. If the task is to be done it probably will have to be conceived and carried out by groups of growers through cooperative organization. The aim and direction must be primarily at the consumers' main source of supplies—the retailer. In the final analysis, it is what the retailer does that largely determines the volume of apple sales. What the retailer does, in turn, is affected by his gross margin and the amount of assistance he is given in sales promotion efforts.

### *Other Factors Also Affect Volume of Sales*

What the dealer does in sales promotion has a good deal to do with the volume of apples he sells, but there are other factors which also have a bearing. One of these is price. Price is made up, in part, by the retailer's margin. Thus it is that while the retailer's margin must be large enough to encourage him to handle apples, it must also be small enough to permit prices which will move the necessary volume in competition with other items.

The margins which will meet these two conditions differ among retailers. How wide the margins must be to encourage dealers to handle apples depends in part on ease of selling, value per sales unit, credit and delivery, the comparative margins on other items, and the spoilage rate.

Spoilage, for example, seems an unavoidable phase of the fruit and vegetable business. Consequently, the retailing of such produce is

more exacting and hazardous than the retailing of staples. The relative extent of spoilage or waste which the retailer normally incurs in handling a given fruit may affect his merchandising of such fruit, as well as his profits. Anticipated spoilage may determine whether or not a retailer stocks a fruit at all, how he selects the fruit, and how he prices it.

Care in growing, harvesting, packaging, packing, and handling, up to the time the retailer takes delivery, is essential to minimize spoilage. Retailers cannot improve the condition of the fruit after they get it. They can merely try to keep their own spoilage from being excessive as compared with other retailers by exercising care in selecting and handling the fruit, combined with a rapid turn-over.

### *Keeping Apples in Stock Is Important Point*

Aside from sales promotion and price, some of the other factors which influence apple sales include consumer likes and dislikes, consumer purchasing power, and the period of time during which apples are kept in stock. The effects of these other factors, it will be noted, may be modified by sales promotion.

Thus it is that consumer likes and dislikes have in many instances been influenced by advertising and sales promotion. Even limited consumer purchasing power may adjust itself, to some extent, to the purchase of a commodity it is persuaded to buy.

The period of time during which a commodity is kept in stock is also important in affecting total volume of sales. Certain fruits are at a distinct disadvantage because they have relatively short seasons. The housewife can hardly be expected to know when the season for a certain fruit begins each year, and a fruit may be on the market several weeks before many consumers are aware of the fact, unless retailers in their neighborhood are handling that particular fruit.

It is also evident that the longer the season a given fruit has, the more likely it is to become a permanent part of the family diet and to establish a regular demand. It follows, therefore, that annual sales of some fruits may be low because they are not available throughout the year, or because their season is too short to interest many retailers in pushing them to any appreciable extent.

The survey previously referred to showed a wide variation in the number of weeks each fruit was kept in stock by different stores. In

the case of fruit and vegetable stands, 96 percent had oranges, 84 percent bananas, and 71 percent had grapefruit on sale every week of the year. On the other hand, only 13 percent had western apples, and less than half had eastern apples on sale every week in the year.

How much the consumption of apples can be increased by extending the period during which the leading retail outlets keep them in stock can be determined only by actual experiment. It is obvious, however, that it is easier to form the habit of buying a given fruit if it is constantly available, as oranges seem to have been, rather than on hand irregularly as were both eastern and western apples. It seems likely that favorable results might accrue from efforts on the part of the growers' cooperative associations and others to induce a larger number of retailers to stock apples for more weeks in the year.

### *Effective Sales Promotion Must be Keyed*

Effective sales promotion requires a program that is keyed to all of the other factors which affect sales. Since each large market differs in important respects, no one plan will fit them all. Furthermore the tonnage available for sale, the marketable quality of the tonnage, and

*The volume of Washington and Oregon apples going to Los Angeles, Chicago, and New York has dropped in recent years.*



the retail and other outlets that can be reached most advantageously are determining factors as to what a cooperative can do for the advantage of its members in this direction.

It is obvious, also, that supplies must be coordinated with promotional plans if the latter are to be effective. And finally, it is apparent that satisfactory sales promotional results in large cities are possible of achievement only if direct contact is established with the outlets that serve consumers, such as retailers and restaurants.

Duplication of sales efforts and competitive price cutting by shippers are important problems because they directly affect grower returns. They are also important because they seriously interfere with the sales promotional work which is needed. Further, they seriously interfere with getting the best possible results from promotional work that is done. Cooperative officials working closely together should be able to meet these situations as far as the cooperatives themselves are concerned.

Sales promotion comes properly in the list of cooperative activities. It is a type of effort that can be applied in small, moderate, or large doses—to whatever degree proves practical and profitable. It should be recognized, however, that no amount of sales promotion on the part of cooperatives or others can eliminate for the growers the low prices reflected by duplication of sales efforts and competitive price cutting by shippers.

This leaflet is condensed from Miscellaneous Report 19, "Some Facts Concerning Competition Between Apples and Other Fruits at Retail, New York City", by Marius P. Rasmussen and Ford A. Quitslund. Copies of this larger publication with more detailed information may be obtained while available from—

*Information and Extension Division*  
Farm Credit Administration  
United States Department of Agriculture  
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