

# Food Biz Mentoring

## FROM CONCEPT TO COMMERCIALIZATION

### Food Retailing Acronyms and Definitions

Of course, food retail involves a wide range of terms and concepts. Here are some key definitions to help you better understand the food retail system:

**Food Retail:** Food retail refers to the sale of food products to consumers through various channels such as grocery stores, supermarkets, convenience stores, farmers' markets, and online platforms.

**Grocery Store:** A grocery store is a retail establishment that primarily sells food and other household items. It typically includes sections for fresh produce, dairy, meat, bakery, and non-perishable goods.

**Supermarket:** A supermarket is a larger grocery store that offers a wider variety of food and non-food items. Supermarkets often have multiple aisles and departments, including deli counters, pharmacy sections, and more.

**Convenience Store:** A convenience store, often referred to as a "convenience store" or "corner store," is a small retail outlet that sells a limited selection of essential food items, beverages, snacks, and commonly used household goods. They are typically open for extended hours or 24/7.

**Farmers' Market:** A farmers' market is a local, open-air market where farmers and producers directly sell their fresh produce, meats, dairy products, and artisanal goods to consumers. It promotes locally sourced and often organic products.

**Online Grocery Shopping:** This refers to the practice of ordering groceries and food products through online platforms and having them delivered to the customer's doorstep or made available for pickup at a designated location.

**Retail Chain:** A retail chain is a group of retail stores that are owned and operated by the same parent company, sharing a common brand, supply chain, and sometimes centralized management.

**Private Label or Store Brand:** These are products that are marketed and sold under the retailer's own brand name. They are often less expensive than national brands and may be produced by third-party manufacturers.

**Consumer Packaged Goods (CPG):** CPG refers to products that are typically used by consumers on a daily or frequent basis, such as food, beverages, toiletries, and cleaning products. They are often sold in pre-packaged, ready-to-use forms.

These definitions should provide a basic understanding of some common terms related to the food retail system. Below are many terms and acronyms that are used in retailing. We use this as our reference sheet when discussing brand listings at retail.

**Accrual** – This usually refers to program monies. A designated percentage of the landed wholesale cost of a product is accrued to the various categories of program monies.

**Action Alley** – A Walmart term that refers to the main walkways in their stores that lead from the front end of the store to the back. These walkways are wider to allow for pallet-sized displays along the aisle.

**Annual Volume Rebate (AVR)** – This is one of the typical components of program monies. It is recommended that you budget a total of four percent for AVR, but when you're starting out, you may only plan to spend one or two percent. You set the AVR amount payable, based on a corporate customer's total purchasing dollar volume with you. For example:

- From \$1 to \$249,999 you may pay 1%
- From \$250,000 to \$499,999 you may pay 1.5% From \$500,000 to \$749,999 you may pay 2.0%
- When a customer hits the next threshold, you always pay the new AVR percentage back to dollar one. The AVR can be used as an enticement to gain additional listings as they will contribute to that customer's total volume of business with you.

**Banner** – A banner is the name on the front of a grocery store, such as Safeway, Real Canadian Superstore or Publix and Fresh Market in the US.

**Bill of Lading (BOL)** – A BOL is a paper record that must accompany any shipment from a food producer or manufacturer when they're shipping to a warehouse or retail grocery store.

**Black Label** – Black label refers to a private label brand that is positioned at the high end of the price and quality spectrum. The quality may be represented as higher, but the focus may also be on exotic, unique, or niche flavors. An example would be the President's Choice brand owned by Loblaw. This brand appears in the Real Canadian Superstore and in the Loblaw-bannered stores in Eastern Canada, but not as much in a banner such as No Frills.

**Bunk End** – This is another term for an end-of-aisle display.

**Category** – This is a grouping of goods. A corporate grocery chain will have a category manager for various categories of goods (for example: meat, bakery, breakfast, and condiments).

**Central Billing Allowance** – This is another potential component of program monies payable to a corporate chain. It is usually budgeted at two percent. The logic for paying this fee is that the vendor is saving money by dropping one load of product at the customer's central warehouse and the customer takes care of breaking bulk and distributing your product to its stores for you.

**Channel Partners** – Channel partners are the people and organizations that assist you in getting your product into the hands of consumers. This may include retail grocery chains, independent retail grocers, independent wholesalers, distribution centers, food brokers, sales agents, sales representatives, store service staff, and

product demonstrators. Food brokers, sales agents, sales representatives, store service staff, and product demonstrators work for a food manufacturer to represent its interests. The other channel partners are customers of the food manufacturer.

**CHEP** – A CHEP is a pallet that is owned by a company called CHEP. A CHEP pallet is usually light blue in color. It is made of wood and is rented by the vendor, rather than being purchased.

**Clip Strip** – A clip strip is a merchandising method that consists of a 24-inch strip of flexible plastic, molded with hangers for approximately 12 units of product. It is ideal for products that are small and packaged in a bag, and that have a hole on the top of the bag, to allow the product to attach to a clip strip. Products are usually shipped already attached to the clip strips, so they can simply be hung up and ready to go. If the product does not have a hole on the top of the package, plastic hanging tabs can be adhered to the top of the package. An alternative form of the clip strip is metal with alligator clips, but these are more costly and not conducive to including with each order of a product.

**Co-operative Advertising Allowance** – This is one of the programs you will be asked to contribute to if you wish to have your product listed with a corporate retail chain. This has nothing to do with the Co-op grocery stores. Typically, 2.5 percent of the landed cost of goods will be allocated to the cooperative advertising allowance fund. The fund accumulates, and once a suitable amount for purchasing an ad is reached, the category manager runs an ad for your product in the store's flyer. You can also purchase ads outright by writing a cheque or authorizing your retailer to debit your account.

**Demo** – An in-store product demonstration where a person gives consumers samples of a product, potential serving suggestions and tips, selling features and benefits of the product, and information about current promotions for the item. Demonstrations are intended to help introduce a new item to the market.

**Direct-to-Store Door (DSD)** – This occurs when a food manufacturer or its intermediary delivers to a retail grocery store directly, rather than delivering its product to that retailer's wholesale distributor.

**Distribution Center (DC)** – A distribution center is typically used by a corporate retail chain as another term for a wholesale distributor. Strictly speaking, a distribution center does not usually stock any items or it only stocks certain items, and all other items are received and immediately routed and shipped to retail stores.

**Distribution Channel or Channel of Distribution** – A distribution channel is the chain of businesses or intermediaries through which a good or service passes until it reaches the consumer. A distribution channel can include retailers, wholesalers, distributors, and even the Internet.

**End cap** – This is also another term for an end-of-aisle display. An endcap is the display area at the end of an aisle or shelving unit in a store. It is a prime location for showcasing promotional or seasonal products to attract customer attention.

**End Display** – An end display is a product display in a retail grocery store that is positioned at the end of an aisle. End-of-aisle displays usually feature a large display of only one or very few products, providing a visually impressive presentation for the consumer. Consumers typically take notice of end displays and assume that if a product is on an end display, then it is also being offered at a discount, but that isn't always the case.

**Everyday Low (EDL)** – Pronounced as its letters E.D.L., this refers to a retail pricing strategy where prices are set so they are competitive on a daily basis, and sales promotions are not usually offered to consumers. This contrasts with a high/low pricing strategy, where the regular everyday price is average to high and price features are occasionally offered to drive incremental volume.

**Everyday Low Price (EDLP)** – This is the same as EDL and is pronounced as its letters E.D.L.P. This also contrasts with the high/low pricing strategy.

**Expiration Date:** This is the date printed on food products, indicating the last date the product is guaranteed to be safe and at its peak quality. It is also referred to as the "use by," "best by," or "sell by" date.

**Face-up** – Face-up refers to the process of pulling the stock forward to the front of the shelf so the display looks nicer, the stock is easier for consumers to see and easier for consumers to reach.

**Facing** – Facing refers to the amount of frontage each individual product gets across the shelf. An item that is not very popular and does not sell very much stock each day may only receive one facing on a shelf. A very popular item that is in high demand may receive five facings across the shelf. If there are three flavors of this item and each flavor receives five facings, this product line would have a total of 15 facings.

**Food Broker** – A food broker is an independent intermediary who works on behalf of a food manufacturer to represent that manufacturer to the industry. This representation may include making calls to corporate retail chain head offices, to wholesale distributors, and to individual retail stores, as decided by the manufacturer. A food broker typically represents several different product lines and several manufacturers and is paid based on performance, receiving a percentage commission on gross product sales value to all customers within a particular geographical area. Food brokers are not considered employees of the food manufacturers, so the manufacturers do not incur any responsibility for employee benefits or other related costs.

**Food Safety:** Food safety encompasses practices and measures taken to ensure that food products are free from contamination, pathogens, and harmful substances that could harm consumers' health.

**Freight Allowance** – A freight allowance occurs when a new item listing sheet gives a vendor the chance to offer a retailer a discount for picking up at the vendor's dock or for purchasing certain quantities or weights of product.

**Front End** – The front end is the part of the retail grocery store where consumers take their carts or baskets and pay for everything they've selected. It is always located at the front end of the store, hence its name.

**Grocery Channel** – This is the typical way in which food products are moved from producers and manufacturers to consumers, which ultimately includes retail grocery stores. It can also include corporate distribution centers and warehouses.

**Gross** – Same as Gross Margin

**Gross Dollars** – This refers to the gross margin multiplied by the retail selling price.

**Gross Margin** – This is the retail profit margin, expressed as a percentage of retail selling price or total retail sales, calculated as:  $(\text{Retail price} - \text{Landed Cost}) \div \text{Retail Price}$

**Gross Profit** – This also refers to the gross margin multiplied by the retail selling price.

**Guaranteed Sale** – A guaranteed sale is when a product manufacturer provides a grocery retailer with an assurance that the retailer will not incur any losses on the manufacturer's product by taking back any product that does not sell within the product's code date and also provides the retailer with a full refund for the cost of that product or with a replacement item. This is of particular concern for a grocery retailer for products with a short shelf life or code date. Normally, the manufacturer's product becomes the property of the retailer. With guaranteed sale, the manufacturer agrees to take back any of its products that don't sell by the code date or usually within a day or two of the code date. The retailer is then provided a full refund for the cost of that product, eliminating any risk for the retailer.

**High/Low Pricing Strategy** – This is a strategy where the regular everyday price is average to high and price features are occasionally offered to drive incremental volume. This contrasts with EDL or EDLP strategies.

**Hotshot** – A hot shot is a dedicated delivery that is not part of a trucking company's regular service route or schedule. It is a custom delivery to the customer's specifications with respect to route and timing and is usually provided at a premium price.

**House Brand** – This is a private label. It refers to the retail grocery chain that owns the private label brand.

**Independent Retail Grocer** – This is a grocery store that is independently owned, but usually purchases from an independent wholesaler or the independent wholesale division of a corporate distributor. An independent retail grocer may choose to only purchase its goods through its wholesaler or wholesalers or it may choose to buy directly from suppliers. Many independent retail grocers are part of a buying and advertising group, and they may share a banner name with other independent retailers. For example, Family Foods, Thrifty Foods, and Super A are independently owned but are members of an advertising group. Other

independent retail grocers may operate using their own unique banner name, such as DeLuca's or Vita Health.

**Independent Wholesaler** – This is a wholesale distributor that is not affiliated with a significant grocery banner. Examples include Pratt's Wholesale, World Wide Distributors, Fresh Option, and DeLuca's. These wholesalers sell to independent retailers or to local retail chains such as FoodFare or Vita Health.

**Inside Monies** – This is the same as program monies.

**Interline** – The process of moving goods by using more than one trucking company. The trucking company you contract to move your product from your dock may not serve the destination, or vice versa, so the trucking company you hire will engage another trucking firm to serve your needs.

**Intermediary** – An intermediary is an agent or distributor who works on behalf of a food manufacturer.

**Landed Cost** – Landed cost is the entire cost or financial outlay for a food product. Landed cost includes the cost of the goods themselves, plus freight, brokerage, fuel surcharge, customs fees and wholesale up-charges. It also includes the cost of moving the product from one point in the supply chain to another. Landed costs for a product will vary, depending on how far up the supply chain a product is moving. For instance, the landed cost of moving a product all the way to the retail store will be higher than the landed cost of moving it to a wholesale distributor.

**Less Than Truckload (LTL)** – With an LTL, you can ship as little as one or a few cases or one pallet full of product. Other products will be included in the trailer.

**Listing Allowance** – This is a one-time fee charged by most retail chains for each new stock-keeping unit they list. It is associated with the retailers' cost of adding new items to their planogram and with the administrative process of setting up new items in their computer system. The fee may be based on a formal schedule of listing fees or the retailer may simply ask you what you have to offer.

**Listing Fee** – This is a one-time fee corporate retail chains charge to food product manufacturers for each product they decide to list. These fees vary by retailer and are usually negotiable.



**Manufacturer's Temporary Reduction (MTR)** – The MTR usually refers to a minor cost reduction from the manufacturer to the retailer. It allows the retailer to pass this cost reduction along to its consumers by slightly reducing the retail price. This kind of reduction may be offered for two weeks to one month, which is a longer period of time than the usual one-week advertising cycle, used for weekly price feature promotions which typically offer larger price reductions to consumers than an MTR.

**Marketing Matrix or Positioning Matrix** – The marketing or positioning matrix provides a visual representation of all the products in a category. The horizontal or X axis shows the price and the vertical or Y axis shows another meaningful measurement for differentiating one product from another. The intersection of the two axes creates four quadrants. The quadrant on the upper right-hand side of the chart represents the premium price and most unique or highest quality. This is how most entrepreneurs bringing new products to market will want to position their products.

**Mark-up** – This is an amount added to the cost to determine a retail price. This method of setting prices is not usually used in the grocery sector. The reason markup is not used at the retail level is there are no established markup benchmarks for the grocery sector. Established benchmarks do however exist for gross margin for various categories. See Gross Margin.

**National Brand** – National brand refers to a name or logo of a product that has been around for a long time and is established and familiar in the minds of consumers. Examples include Heinz, Kraft, and Coca-Cola. These companies are able to charge a premium price because they have invested a lot of money in advertising and in establishing their brand as a trusted one.

**Niche** – A niche is a small subset of a market. Products that serve niche market segments are usually unique in some meaningful way to consumers that either require or allow a food manufacturer to charge a premium price over the average. The necessity to charge a premium price may be due to higher cost of production or ingredient costs. The opportunity to charge a premium price exists because if a product is unique, it makes sense that it should be more expensive.

**Off-Shelf** – This usually refers to an extra display of a product over and above the regular display space a product has on a shelf. An off-shelf display is not an end-

of-aisle display, but it may take the form of a display on a table or other similar surface that isn't a regular grocery shelf. Off-shelf displays often gain more attention from consumers than displays on grocery shelves.

**Over and Above Funds** – This is also the same as program monies.

**Pallet** – A pallet is a wood frame on which a producer's or food manufacturer's cases of products are stacked. It usually measures 48 inches by 40 inches. Pallets allow a bundle of cases to be easily loaded and unloaded from transport trailers and moved around a grocer's warehouse.

**Pennies** – This is the gross profit or gross dollars per unit.

**Perimeter Department** – A grocery store is broken into departments, such as: grocery, general merchandise, floral, bakery, meat, produce, deli and fish. The grocery department is usually located in the core or center of the store and the other departments are usually located around the edges or perimeter of the store, hence their name.

**Plano** – This is another name for a planogram.

**Planogram:** A planogram is a visual representation or diagram that shows the optimal placement of products on store shelves to maximize sales and visual appeal. It is often used by retailers for merchandising. This technique is commonly used by grocery chains but is less common in independent grocery stores

**POG** – This is an acronym for planogram. It can be pronounced Pawg or as its letters, P.O.G.

**Point of purchase/Point of sale (POP/POS)** – This refers to in-store promotional materials designed to influence consumer purchase decisions at the moment and location they are making their selection.

**Positioning** – Positioning refers to how each food product fits into its specific category. Typically, positioning is a function of price and some other attribute of the product, such as quality, flavor or uniqueness of the product.

**Present (pronounced pree-zent)** – This is the process of showing your product to a potential customer, usually a category manager or a buyer.

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**Private Label (PL)** – A private label is a brand that is owned by a retail grocery chain. The chain may use the name of the store or choose a distinct name that allows the brand to be used under a variety of different store banners. For example, the Our Compliments brand is owned by Sobeys and appears in stores owned and supplied by Sobeys, such as Sobeys, Canada Safeway, IGA and Family Foods. Alternatively, the Co-op brand of products appears in the Co-op retail grocery stores as well as Super A Foods and Big Way Foods.

**Probill** – A probill is a bill of lading.

**Product Demonstrator** – A product demonstrator is a person who works for a food manufacturer to put together and give retail consumers samples of the manufacturer's product, so they can try it before they buy it. This person can be an employee of the manufacturer, a food broker or work for a private sampling company. This person may also be hired as an independent contractor.

**Program Monies** – Program monies are fees that must be paid to a corporate retail chain over and above the margin they make at store level. These are paid to the corporate office via cheque or debit note. Program monies typically include such things as the cooperative advertising fund, central billing allowance, freight allowance, and annual volume rebate, but other terms can also be used.

**Retail Grocery Chain** – This is a chain of grocery stores owned by a corporation or a cooperative association, where buying decisions are typically made centrally at a head office by a category manager. Manitoba stores that are owned by corporations include Sobeys, Safeway Real Canadian Superstore, Costco, and Walmart. Each Co-op store, or sometimes a group of Co-op stores, is owned by a co-operative association.

**Sales Agent** – A sales agent is an intermediary that works on behalf of a food manufacturer to represent that manufacturer to the industry. This representation may include making calls to corporate retail chain head offices, to wholesale distributors, and to individual retail stores, as decided by the manufacturer. A sales agent may represent several food manufacturers or may be engaged to work for one or a few of them. A sales agent is paid based on performance, through a percentage commission on gross sales value to all customers in a geographic area. Like food brokers, sales agents are not considered employees of the food manufacturers.

**Sales Representative** – A sales representative is an intermediary who works for a particular food manufacturer. This person is an employee of a food manufacturer and is responsible for representing that manufacturer to the industry. This may include making calls to corporate retail chain head offices, to wholesale distributors and to individual retail stores, as decided by the manufacturer. Compensation may be salary only or some combination of salary and commission.

**Section** – Section refers to a selection of goods within a category, usually broken into four-foot pieces, because this is the typical width of grocery shelving units. For example, the breakfast category may include the cold cereal section, the hot cereal section, and the breakfast bars section.

**Sell Sheet** – A sell sheet is an information sheet about a producer's or manufacturer's food product that a salesperson would use when making a product presentation to a retail store. The sheet includes some brief notes about the product's features and benefits; key information such as product item numbers, UPC, UCC-14 case codes, pack and size, delivery terms, terms of sale, and contact information for the vendor.

**Shelf Maintenance Fee** – Currently, this fee is only charged by Loblaw-owned companies. It is a three percent fee, charged to all vendors for the privilege of being on the shelves of Loblaw- owned stores.

**Shelf Space:** Shelf space refers to the physical space allocated to a product on store shelves. Retailers decide how products are placed on the shelves based on factors like demand, profitability, and marketing agreements.

**Shrink** – These are losses due to spoilage, breakage, mispricing, and theft. This is most common for departments dealing with fresh product that has a short shelf life. This is also a line on profit and loss statements that is of particular concern for perimeter departments. It comes directly from the gross profit margin.

**Sidekick** – This is a merchandising unit that is mounted next to the front of an end display. Sometimes, empty space is created because of the way a particular end display was installed. A sidekick merchandiser may be provided by a vendor, with the understanding that the vendor's product will always be displayed on the fixture given to the store, or at least displayed for an extended period of time.

**Skid** – A skid is another name for a pallet.

**SPIFF** – A SPIFF is a sales incentive offered to a sales representative to entice him or her to promote a vendor's product to the industry. This term is usually printed in all capitals but it is not an acronym for anything. A typical SPIFF would offer a sales representative an extra incentive of \$3 to \$5 per case for selling a vendor's product. This is a proven and effective way to entice wholesale sales representatives to promote a vendor's product when the vendor does not have direct control over the activities of the sales representatives.

**Stock Keeping Unit (SKU)** – (pronounced skew) SKU is an inventory unit that represents each individual product.

**Store Service Staff** – Store service staff are people who visit retail grocery stores on behalf of a food manufacturer to represent that food manufacturer's interests at each store. This representation may include: monitoring the food manufacturer's product on retail store shelves to ensure the product is receiving adequate space or is in the correct location, talking to store-level staff to arrange extra or off-shelf product displays, scheduling in-store price features, and arranging in-store product demonstrations. This person works for the food manufacturer and may be paid as an employee or as an independent contractor.

**Suggested Retail** – By law, a food manufacturer in Canada is not allowed to tell a retailer the price at which that retailer has to sell the manufacturer's product. The manufacturer can only suggest the retail price for a product and the manufacturer must understand the retailer's costs associated with moving the product through its distribution system and the retailer's gross profit margin needs. This is so the

manufacturer can set the retailer's landed cost for its product, so the retailer can set its retail price at or close to the manufacturer's suggested price.

**Supplier** – This is another name for a vendor.

**Supply Chain:** The supply chain in food retail involves the entire process of sourcing, producing, transporting, and distributing food products from suppliers to consumers, including all the intermediate steps.

**The Trade** – This refers to the wholesale customers for a food product. It includes the individuals and the organizations they represent, including brokers, agents, distributors, warehouses, and retail grocery stores.

**Tonnage** – This is the number of units of an item sold at retail. This does not normally refer to the weight sold but to the quantity sold.

**Top Line** – Top line refers to the first line of a profit and loss (P&L) statement, which outlines the sales or revenue for a particular category.

**Truckload (TL)** – A TL refers to when you are shipping enough product to a retailer, a retailer's distribution center, or warehouse to fill an entire trailer.

**Turns** – This refers to the number of times a product sells and must be restocked during the year.

**Universal Container Code (UCC-14)** – This is also known as SCC-14 for Shipping Container Code. This is the bar code that you must have on the outside of your master case. Many retailers now use the case bar code to track when a case of product leaves a warehouse or distribution center and when it arrives at a store. The UCC-14 or SCC-14 is derived from the UPC from an individual product, except when the vendor puts a variety of different products in one case. In that situation, the UPC from any one of the products in the assorted case pack cannot be used to get the case bar code.

**Universal Product Code (UPC)** – The UPC is the 12-digit bar code that every product sold at retail must possess so that each product can be scanned through a store's bar code reader.

**Up-charge** – An up-charge is the fee a wholesale distributor adds to the food manufacturer’s wholesale selling price. This is the only instance in the grocery sector where a cost-plus pricing model is used. The up-charge is added to the manufacturer’s landed wholesale selling price, to cover operating expenses for the wholesale distributor and generate some profit. An independent wholesale distributor will often levy a 20 percent to 25 percent up-charge. A wholesale distributor affiliated with a corporate chain will often charge a very small amount to their corporate chain customers. The amount charged depends on which banner the goods are being sold to; the type of goods (dry grocery, refrigerated, frozen), and which department (grocery, bakery, meat, deli). When dealing with a corporate retail chain, it is recommended that the food manufacturer ask the category manager how much needs to be budgeted for a wholesale up-charge for their specific banner, type of goods, and department.

**Velocity** – This is similar to tonnage, and it expresses the number of units of an item sold at a retail store during a particular period of time.

**Vendor** – This is the term used by the industry to refer to food manufacturers.

**Week Beginning (W/B)** – Some retailers reference each week of the year by the date on which the week begins. This may coincide with their weekly flyer advertising cycle.

**Week Ending (W/E)** – Some retailers will refer to each week by the date on which the weekends. This may coincide with their weekly flyer advertising cycle.

**White Label** – White label refers to a private label brand that is positioned at the low end of the price and quality spectrum. An example would be the no-name brand owned by Loblaw. This brand features prominently in the Real Canadian Superstore and No Frills retail grocery stores.

**Wholesale Distributor** – This is a company that purchases food products from manufacturers by the case, stocks them, and ships them to retail customers. A wholesale distributor may be affiliated with a corporate retail chain, an independent buying group, or a cooperative buying group. It may also mainly or exclusively sell to independently owned retail stores.