

A RETAILER'S VIEW OF THE AVOCADO INDUSTRY

N. H. Bolstad

Produce Division Manager, Von's Grocery Company, Los Angeles.

(From an address made at the California Avocado Society annual meeting, June 7, 1952.)

Being an avocado grower myself, and having received nothing for the fruit on my *one* tree for the last two years, I think it's time that we, as growers, put our heads together and try to find a few new answers.

What are the reasons for the current price situation?

The simple fact is that avocados are in more abundant supply. The supply in 1951 was 50% greater than in 1950; and this year, with the help of the good Lord, we have 33% more than we had last year. It is small wonder that we haven't realized the prices in the past two years that we did in the 'Forties.

I am reminded of a lesson in supply and demand that our young son received a few years ago. In our backyard was an Italian squash plant. This was a normal plant, but the boy's ideas were unusual. He wouldn't harvest his squash until it was at least 12 inches long, and the general shape of a balloon. To him, that was a good squash. In the evening, he'd give me one or two, and say, "Take them down to the market, Dad, and sell 'em for me." I went along with the gag, and brought him home maybe a dime apiece for the squash. Then one morning, I went out and got in my car. As I opened my door, squash started pouring out of the back. The whole back seat was loaded like cord-wood with great big Italian squash.

That was the day a young farmer learned about a glutted market, and what happens when his supply exceeds his parents' demand.

Seriously, it would be a simple matter for us to sit back and put the blame for poor returns on someone else. We could say, for instance, that the retailer is at fault: his markup is too great. We would be right in some instances. However, the greater majority are doing their best to cut their expenses to the bone, and to operate as closely as possible. These retailers are really doing their best to market all commodities as reasonably as possible. They are forced to. They are forced to, because here in southern California you have a number of very large markets; and they are all competing—one with another. We are, as we call it, in the "battle of the ads." Every week, we give our life blood on those ads, trying to beat the other fellow. We are not trying to sell fruit for nothing. We're trying to help a condition, and these past few months those of you who have had large crops know it's taken a little moving to sell the fruit. Maybe we couldn't sell it for what we would have liked to have sold it for, but at least it's better to sell it than throw it away. There are other industries that have been faced with that problem, and today they have millions of pounds of merchandise left,

and they're going into a new season.

Now, to make this story possibly a little clearer, I can say, as I have, that the retailers don't take a long markup. Let me tell you what happens. Let's start with the gross markup, as we call it. In the average large market, it's 33%. From that we have a spoilage of 7%, which leaves us 26%. Buying, warehousing, trucking, and all that is another 5%, which reduces the figure to 21%. Payroll—all of those clerks, cashiers, and the rest—take up a good 13%. Our cashiers, for example, are now making from \$74 to \$96 a week for forty hours. Our overhead expense—the lights, the rent, the office—is another 6 to 7%. Consequently, when we get all through, a good tight operation in produce will net one to two percent. That isn't a lackadaisical operation; that's a hard hitting operation. The retail grocery business operates on as low a mark-up as any business in this country. We work on one thing: *volume*. That is the only salvation on a one to two percent net.

One figure I would like to repeat. Spoilage, or shrinkage, amounts to 7%. Most growers and shippers remember their fruit as they saw it last, when it had that beautiful harvest bloom on it. It was a picture. How many of you have seen that same fruit after a day on a self-service stand? It's been dropped, squeezed, pinched, and Junior frequently tries to bite it before his mother returns it to the display, plus the teeth marks. It is all of our responsibility to educate the housewife and the grocery clerk, through advertising and dealer service in the proper handling of avocados. But there's always this question that comes up, particularly in a bad year: we want to cut expenses. I know that the cooperatives have this thrown at them time and again. The only surcease I can offer is that all associations have the same problem, and that is this dealer-service program. Some question whether the dealer service program serves the best interests of the grower in proportion to its cost. Now mind you, I have no ax to grind tonight. To me, it wouldn't matter tomorrow what you decide. I have nothing to be gained by this, so I speak it honestly and hope you will take it the same way.

The dealer service man first is teaching methods to the retailer of preparing and caring for avocados—methods that will reduce the retailer's waste, and which will encourage that retailer to make larger displays of your fruit. If he can cut his shrinkage, and not be afraid to put out an 8- or 10- or 12-flat display or larger, he will go ahead; and if he can reduce his shrinkage, he can reduce his margins. He can operate for less.

Second, the consumer who finds avocados more attractively displayed with point-of-sale advertising material is encouraged to buy more of your fruit in more stores throughout the country. Those are the very simple facts.

Growers must become ever more aware that their welfare is tied very directly with the retailer. For the retailer—the man down at the corner store —represents you and your fruit to the ultimate judge, the housewife. You can't display your fruit—you can't show it to the housewife and tell her how beautiful it is, or what you've done to it. It's up to that grocery clerk. That's his job—his function in the whole system; and unless he is properly trained by your dealer service men, he doesn't know the picture. It cannot be too strongly stressed that the retail grocer needs this help from the industry.

It has been established that the sales of fresh fruits and vegetables rarely make up more than 10 to 15% of the total store volume. That means that we in the produce

business—in my particular outfit, we'll say—when all is said and done, may have accumulated 15% of the total store's sales. It's not a large part, so we do need help—any help we can get. Retailers, any of us, cannot be specialists in any item we carry. We in the stores handle around 75 different produce items. We can't know avocados the way you know them. We have to know a little bit about avocados, a little bit about pears, a little bit about walnuts, and apples, and anything you want to name. We can't be a true specialist. You, through your representatives, must supply us with the expert council that will enable us to show a profit instead of a loss. Otherwise, we're going to pick other merchandise that has less headaches and more profits. That is important, because that is the way your average retailer thinks. If he doesn't get the constant "needling" of some one of your representatives, he's going to turn his whole effort to another item where he's getting a little more "needling," a little more profit, and less worry.

I've purposely saved the most important item until last—and that is standardization. Standardization of quality is the cornerstone of our whole industry. We all know it. We all know what we mean by quality. But how much do we pay attention to the standardization of weight and size and grade? It is generally agreed *by* retailers that pricing of avocados by the piece will sell more fruit at a better price. If it is to be sold this way, the retailer must know that the package he buys is all of the same size and grade, as far as is possible. If the package he buys has irregular or undersize or poor quality fruit, his sales will drop, his spoilage will go up, and he won't be back for more. So many times we think the retail "buyer" is the one we have to appeal to. He isn't. The purchasing agent, or "buyer," is merely a figure head—a name—a signature. The *real* buyer is the *customer*. The *ultimate judge* is the *customer*. So it's not a few individuals that you're trying to satisfy. You have to satisfy the housewife. You must make her feel that she's getting the best buy possible for her dollar, her nickel, or whatever it is. She is the one we all have to please. She pays your salary and mine. It's not the big companies; it's that little lady that pays all the bills.

Another result of piece pricing—selling by the piece instead of by the pound—is to move reasonably smaller fruit in more volume, since they will sell by the piece for less "per each," and your housewife is very penny conscious—particularly now. So if there is a relative over-supply of large size fruit, it must be sold at a price that is competitive to the smaller sizes. This week cantaloupe started, at fabulous prices. We can't buy a great big three-pound cantaloupe and put it on the stand, because the average woman couldn't afford, or doesn't think she could afford, to buy it; so we must use smaller sizes—something that will add up to 15¢ to 19¢. Most housewives think that's still a little too much, but to please their husbands they'll buy it. That's about the way this works in avocados. If you have a big supply of large fruit, it has to be priced to move. That's the whole thing.

In conclusion, I believe that cost-minded growers and shippers are realizing more strongly from day to day that *all* members of the industry *must* work together. They must work toward a common goal of efficient distribution. We must be mindful of the progress of our commodities through *all* channels of distribution, from the ranch to the retail display stand; and if the housewife is satisfied, she'll be back tomorrow for more. This cooperation between the members of the industry is actually the dawn of a new era in our agriculture. However, it can't be achieved without effort. A start has been made, but

we are just beginning a greatly needed awakening. Things are just beginning to happen in this industry. We've got more scientific approaches, we've got more men using more brains to advance not only the scientific growing, but the selling. Agriculture is becoming a science—more so than it ever has been in the past—and your industry, through your associations, has taken the lead. And let me underline that. It is very much my opinion—and, I believe, of all in the retail business—that the avocado group, whether you appreciate it or not, *through cooperation* has done more to forge ahead as an individual group than any other group I know of in the produce business. You folks are in the finest marketing position of any group of growers in the industry. Your associations have taken the lead and your progress is limited only by the amount you *individually will cooperate*.