Food and Beverage Terms

Absolute sales: Total sales, regardless of physical or other changes to the store network.

Artificial Intelligence (AI): The ability to use consumer's shopping history to predict their future orders. With consumers using loyalty programs and online shopping, retailers are now able to use the previous order history to suggest items for upcoming orders for specific consumers.

Assistant Category Manager: An employee who supports category managers to deliver sales, margin, over and above dollars and meet other category targets. Retailers have different titles for this role such as associate merchants or pricing coordinator. They spend a lot of time in the retailer's system to ensure pricing is correct, items are planned properly for ads and data integrity for new listings.

Assistant category managers spend more time at their desk as they are dragged into fewer meetings. They can be easier to reach for suppliers. Once you develop a relationship with an assistant category manager you will find it can be a great resource to resolve some of the smaller issues. You cannot negotiate with them but you can get information about ads or over and above merchandising plans.

Auto Replenishment: A component within a retailer's information technology that automatically re-orders product for a store, when inventory goes below a predetermined level, on the shelf. The re-order points are set in advance, based on sales estimates, and holding capacity on the shelf. The system will order the amount of product required to fill the shelf and meet the sales estimates.

We know in stock position is a big issue right now in the food and beverage industry. Many retailers use sophisticated systems to operate their business. For most of the large retailers auto replenishment is an important tool to ensure their stores are stocked with the right amount of inventory.

Average Order: The total sales in a store divided by the total number of transactions. This metric is used to determine if the store is capitalizing on consumer traffic and leveraging the labour they have available. When basket size is growing it is a good indication the store is well merchandised and enticing consumers to buy more. They will discount any inflation built into pricing and really look for absolute growth. If they can sell more to the average consumer and keep their costs in line they should be more profitable.

Thinking like your customers can help a lot of suppliers improve relationships and ultimately sell more. Retailers are always focused on average order or basket size. The size of the average consumer transaction tells them a lot about what is happening in their business.

Backhaul: The process of working with your retail partners to ship your products on their trucks, as they return to their warehouse empty after servicing stores. Backhaul should provide lower rates because the retailer must go to the store with product and return to the warehouse.

Logistics are becoming a bigger percentage of the final cost of food and beverage products. Unfortunately, consumers and customers will never pay more just because the product gets where it is supposed to be. Producers and processors need to find opportunities to reduce these costs. Backhaul should be a consideration.

Baseline sales: The average weekly sales for a product when it does not have any special offer or temporary price reduction. This is an important number for suppliers to understand is it is what retailers will use to assess if product maintain their position on the shelf. Most retailers have an expectation for baseline sales in a category and items that fall below this threshold are at risk of being delisted or they will be looking for investments to drive more sales.

Black Friday: The Friday directly following the Thanksgiving holiday in the U.S. Usually this is the last weekend in November. The term is now associated with the start of the holiday shopping period in the U.S. and it has spilled over into Canada.

Black Friday sales started with deep discounts on selected items from general merchandise retailers. The images of consumers waiting in line for hours to buy deeply discounted electronics or household goods are famous. The event is not the huge discount event that is used to be as so many retailers have jumped onto the Black Friday train. Many use it now as a theme to highlight sales but not the really aggressive discounts some retailers used to offer to drive traffic.

Bricks and mortar: The physical stores owned by retailers. As the world has evolved to e-commerce most retailers offer an in-store shopping experience referred to as bricks and mortar and an online experience through their website or a third party seller like Amazon. Most retailers have considerable dollars tied up in brocks and mortar and they must sell a certain amount of product through their stores to deliver a return on these investments in real estate, buildings and equipment.

Brokers: Companies or individuals that represent your business to the retailers. You engage them to build relationships and your volume with retailers. Often, they represent a number of 'principals' that do not compete. They do not take possession of your product, you ship and bill retailers directly.

Brokers will not develop your sales and marketing programs for you but they can be an asset in getting them implemented. They have established relationships with retailers that can shorten the time it takes to get your product on the shelf. They should also have better insights into the opportunities for your products.

Buyer: An employee who works in the supply chain department of retailers. These people, in lower level positions, cut purchase orders to manage inventory through their warehouse network. Buyers purchase the amounts of products recommended by the buying system, from suppliers determined by category managers.

A buyer is different from a category manager. Supplier's key point of contact is the category manager, they are the decision maker for the listing base and product cost. Buyers do decide how much to buy and suppliers should develop a good working relationship with buyers.

Category: The group of products your product(s) are merchandised with. Categories can be defined differently from one retailer to another. There are broad categories such as baking and subsets like sweeteners.

Within retail and food service individuals in the merchandising group are responsible for the sales, margin and over and above dollars generated in each category.
Retailers are focused on categories and measure growth from one to another and look more favourably on items that contribute to the overall growth of the category and a margin percent higher than the category average.

Category Manager: An employee who works in the merchandising department where they are responsible for delivering sales, margin, control label penetration and incremental revenue for a select group of items. The group of items is called the category. Each retailer has their own definition of what goes into a category. This can be impacted by the size of the retailer and their outlook on sales.

Category managers are the key point of contact for every supplier with regional and/or national listings. Some retailers split the category role into procurement and merchandising. The procurement category manager is responsible for the negotiations with suppliers regarding product specs and standards, every day cost and promotion costing. The merchandising category manager does the pricing, ad planning, listing base and over and above displays.

Channel partner: Corporations or individuals who provide a service to producers or processors to help them get products on the shalef and stay on the shelf. There are many different tasks required to be successful in food and beverage. As a business grows it can be necessary to outsource some of these functions. Channel partners can be brokers, distributors or field reps working in stores. They all have different roles to perform to support the success of products.

Cherry picking: A term used by retailers to describe consumers who travel from one store to the other only buying the items on sale.

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Click and Collect: Consumers shop online using the retailer's website and create their order. The products are selected in store by employees and consumers pick up the pre-selected order at the store. This eliminates the costly "last mile" of distribution which is usually the most expensive.

Comparable sales (comp sales): Sales in a location where there has been no major renovation or change to the product mix. Used by analysts as the truest measure of a retailer's performance from one comparable period in time to another.

Compliance Fines: Fees retailers charge suppliers when products do not arrive when they are supposed to arrive, in the condition they are supposed to arrive.

There are two significant frustrations for suppliers with compliance fines: Retailers make the rules and retailers change the rules arbitrarily. The issue becomes when retailers create rules that are slanted in their favour and some of the fines are related to issues that can be beyond a supplier's control. They get very frustrating when a truck arrives on time but cannot get into the warehouse and then the retailer determines it was late. Suppliers do not have much choice if they want to ship into these networks, controlled by the retailer.

Consumer Claims: Recognized logos that verify a product meets certain standards or criteria. These claims are effective to communicate with consumers, differentiate the product in the category and illustrate the value the product delivers. Producers and processors have to satisfy customers (retailers) and consumers (end users). Consumer claims can help your products with both stakeholders.

Many food and beverage products look like a NASCAR with the consumer claims all over the packaging. These claims can communicate your product attributes quickly and effectively.

Control label: Products available that the retailer develops and sells. These items usually get preferred shelf space because the retailer derives more profit. Synonymous with private label.

Cost of goods: To a retailer, is the price they pay for products delivered to their warehouse or store. It sounds simple but it gets very complicated quickly. Most retailers will consider the everyday cost they pay, but they will also factor in the over and above dollars invested by the supplier. If the everyday cost for a product is $20 per case and in the latest fiscal year the supplier also invested the equivalent of $3.50 per case, the retailer will assume the supplier's true cost is $16.50. The retailer will base negotiations for the next year on this $16.50 figure. The $3.50 per case can include a lot of different things like off invoice deals, over and above dollars for ads or themes, or any other money the supplier spent with the retailer. The negotiation for the upcoming year can include the everyday cost but the retailer will always include the extra $3.50.

Cross dock: A physical space where product is shipped to be re-sorted and shipped again. Most often this happens where full pallets of product are shipped into a facility and then trucks are loaded with these pallets to deliver to routes organized geographically. Some cross dock facilities will break down full pallets of product to create store specific orders as well. As freight becomes more and more expensive it is important to consider all options to minimize the freight costs per unit.

Cross Merchandising: Building displays with products from different categories and different departments to inspire consumers to buy more. Almost every item in the store has a spot on the shelf in its own category. Cross merchandising is an incremental display of products, created to drive sales and/or deliver margin.

Cross merchandising is usually planned in advance by retailers to ensure there is sufficient inventory and to support a category strategy. Stores receive a merchandising plan with items that should be cross merchandised. Suppliers need to get their items into these merchandising plans to get the chance at some of these incremental sales.

Cube: The amount of product that can go on a truck.

Direct Store Delivery (DSD): Products that do not go through the warehouse, they go directly to the store. We see this happening more with smaller suppliers, short shelf-life products or products that sell lower volumes. These items are often guaranteed sale, which are merchandised by the supplier (commercial bread, soft drinks or dairy), short code date products or they have small sales and the vendor understands the item better than the retailer.

Discount stores: Stores offering low prices with limited assortment and reduced service. These stores differentiate on price and strive to be 5-10% below their competition in the market. They will often have price guarantees and match competitor's ads. The reduced assortment is more efficient and ensures they have lower shrink. Labour is a retailer's largest controllable expense and these stores manage it carefully. Examples of discount banners in Canada would be No Frills, Maxi, FreshCo and Food Basics.

Display Ready Pallet (DRP): Product packed by a supplier on a pallet that can be positioned in the store and be ready for merchandising with minimal work from store staff. Often there is some POS with these. For Examples: Costco uses DRP's.

Distribution centre (DC): A large warehouse owned by retailers or distributors where suppliers ship product in and retailers or distributors ship product out in store specific orders. The DC is an expensive proposition for retailers and they strive to ship as much product in and out as possible to create efficiencies within their system. Space is limited in DC's and most retailers subscribe to a one in/one out philosophy. In other words for every new product listed, the merchandising group must de-list an item from the warehouse.

Some retailers operate their DC's as a cost and some operate them as a profit centre. It is important to understand the retailer's practice as it will impact the cost at store level.

Distributors: Businesses that take possession of your products and then take them around to stores to re-sell. You ship your product to the distributor and then they create orders for stores or put your product on a truck to generate orders.

Distributors should be able to get your product on the shelf in independents and specialty channels. If you are using them to service stores that are part of a larger retail chain you will need to develop the head office relationship. Usually the distributor is focused on getting the product to the stores, not working with the office. Some larger distributors like UNFI will perform both functions. They have established relationships with retailers that can shorten the time it takes to get your product on the shelf. They should also have better insights into the opportunities for your products.

Electronic Data Interchange (EDI): The transmission of information electronically between retailers and suppliers. With most retailers managing tens of thousands of SKUS it is imperative to make this work as efficient as possible. EDI allows retailers to communicate with suppliers to share information about purchase orders and payment. Retailers will have one system to communicate with suppliers and each supplier must have a system in place that will receive, comprehend and translate this information into their own inventory management and financial systems.

EDI is great when it all works properly. It is imperative all information is accurate for the data to flow properly. Any issues need to be rectified immediately because there is not a person monitoring the transmissions. There can be a significant cost to EDI. There are options and suppliers should investigate the choices to find the best fit for capabilities and cost.

Electronic shelf label: An LCD display under each SKU to replace the traditional printed paper shelf label. Technology has improved and costs are now low enough that the payback for installing electronic shelf labels is within reason.

End cap: The shelving at the end of an aisle. Usually front ends (opposite the checkouts) will have fewer shelves and be designed to merchandise the higher volume ad items. The back ends (facing the rear of the store) will have more items and be used to merchandise lower volume ad items or themes.

Every Day Low Cost (EDLC): The price retailers pay for products from suppliers, with all promotion activity and other trade spend factored into the cost. Originally, it was calculated by taking the supplier's regular price and subtracting all of the investments the supplier made related to that item. This would include all promo activity, over and above dollars and any other investments made with the retailer to drive sales. The retailer's philosophy was 'you could afford all of that last year, with the volume you did, so we will just reduce the price we will pay and we will determine when and where to make the investments'. In some retailers this strategy can be effective and in others it leads to a lot of issues. Every Day Low Cost (EDLC) was developed to simplify the relationship and negotiation between retailers and suppliers.

Every Day Low Price (EDLP): A pricing strategy that limits or eliminates temporary price reductions to bring stability to retail pricing. Retailers believe consumers will be able to compare prices more effectively in an EDLP environment and make a more informed decision on where the lowest prices are found. This is also a more efficient pricing strategy as the labour to change signage and update prices in the system is reduced significantly.

There are no deep discount ads, just very good competitive pricing through out the store. Walmart follows the EDLP strategy.

Facing: The units of each product, on display, that consumers can see on the shelf. The more facings a product receives the better exposure it has on the shelf. Facings are determined by the estimated volume of a product and the holding power of the shelf. If a product has 3 facings and the shelf is deep enough for 8 packages and the case pack is 12, there is room of 2 cases of inventory.

Retailers will use the term 'face up the aisle' which is a practice of pulling units to the front to present one continuous line of products. The aisle looks much more tidy and easier to shop. There is a cost to facing aisles in labour which some retailers believe delivers a return and others would never do it.

Food waste: Food produced but never consumed. In Canada this is estimated to be close to 30% of the total food produced. Food waste happens at every level of the value chain. There is a focus on this as consumers will respond to 'reducing food waste' and it can reduce costs for producers, processors and retailers when the waste is reduced.

Format: The type of store operated by different retailers. Overall, we can describe store formats as warehouse club, large store, conventional, discount, specialty, drug and other. Within each format, retailers will have different banners or brands. An example of this would be Loblaw operates convention stores Loblaws, Zehrs and Atlantic Superstore and discount stores No Frills and Maxi.

Free Fill: One case per product, per SKU, provided to each store to get access to the shelf. This is a practice used more often in specialty stores than the larger retailers. The larger retailers prefer to focus on listing fees.

There is a cost to free fill but there are benefits as well. The biggest benefit is you know your product has a space on the shelf. When the specialty store or other retailer negotiates free fill with you the next step is to confirm where you go on the shelf and that this will be 'your' space going forward. That is the return you get for the investment of the free product.

When you or your distributor negotiates this deal, it is important to confirm with the retailer that this is your space. You have paid for it but it is always good to confirm what you are getting and for how long. Retailers should give you at least a year to prove your product can perform.

Front end: The cash registers. When you hear someone in retail refer to the front end, that means the place in the store where consumers complete the purchase transaction. There are many important points along the food and beverage value chain, but the front end is right up there. It is the point the consumer votes with their wallet and pays for the product. It is also the point in the journey where the retailer records which items are going through at which price. It is also an important point of contact with consumers. Up until recently that was all in person, but with the introduction of self-scanning, some consumers can shop for hundreds of dollars worth of groceries and never interact with a store employee.

Suppliers need to think about what happens at the front end. Your products must scan properly, or you will not get credit for the sale. We recommend you test your UPC codes with any new packaging and buy your items regularly to ensure they scan properly. It is a good practice to do this with every customer as they all use different systems and have your items set up differently.

Global supply chain: The complicated international production, processing and delivery of food, from farm to table. The food industry does operate on supply and demand. Food is essential to life and it has become a massive machine, with so many interlocking links. In the end, it is driven by consumer demand and producer and processor ability to supply. There are so many complexities that an event such as the invasion of Ukraine will impact the supply of basic commodities and the cost of energy. Both will likely be in shorter supply, which will drive costs up.

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Global Trade Item Number (GTIN): A unique series of numbers associated with a barcode that helps suppliers and retailers maintain their listing base. You must purchase GTINs to create barcodes for your product to ensure your product scans through the front end of retail. Product GTINs are 12 digits with GTIN 14 being used on master packaging creating a tier that is traceable. Often the term GTIN is used synonymously to UPC.

Grazing: A term used by retailers to describe consumers who eat product in the store before they pay (or not) for it.

Guaranteed Sales: The supplier will reimburse the retailer for any product not sold at the best before date or after a specific holiday season. This is employed by retailers to protect against high shrink on items when they do not perform as expected.

Health and Beauty Aids (HABA): A department where over the counter (OTC) medication, shampoo, soap and other beauty care products are merchandised. Synonymous with Health and Beauty Care (HBC).

Health and Beauty Care (HBC): A department where OTC medication, shampoo, soap and other beauty care products are merchandised. Synonymous with Health and Beauty Aids (HABA).

High-Low: A pricing philosophy that follows the premise that consumers will be attracted by deep discounts on advertised items. Shelf pricing is higher on other items to support the investment in the ad items. Sobeys and Loblaws would follow a high-low strategy.

Holiday Markdowns: Price reductions implemented for seasonal items if the products do not sell thru by a predetermined time. Retailers and suppliers have learned that it is better to reduce the price earlier and not 'hope' sales will pick up closer to the holiday. Experience tells us seasonal items are worth very little once the season has passed.

Many retailers will negotiate the level of markdown in advance with suppliers. This would lead them to agree on the sell thru and the discount amount. If possible, sales history is used to predict the desired sell thru at specific dates. If the product is not delivering the sales this will trigger the discounts to be implemented and the supplier to be charged to cover the cost of the markdowns.

Home Meal Replacement (HMR): Department in a food store designed to offer items that are ready to eat. They can be merchandised hot for immediate consumption or cold for take home.

In and Out Seasonal Programs: Products that are listed and merchandised for a limited time to coincide with a specific selling period. These products deliver incremental sales, but they are also a challenge for retailers to manage. The items have a limited time to sell and they have no 'home' in the store.

Selling seasonal merchandise is a risk. You need to plan in advance, order inputs produce products and get them shipped to your customer. Then the customer must get the items out on the floor and drive enough consumers into the store to generate the sales. While both parties need to deliver the right value proposition, so consumers pick up the products.

It takes a lot of coordination to manage in and out programs. Suppliers and retailers must execute at each stage to ensure the product flows through the system and arrives at the store when it should. Too early is costly and cumbersome for stores and too late will usually result in lost sales.

In line: Items merchandised in the regular aisle.

In Store Specials: Temporary price reductions that are not usually advertised. The discount is supported with signage at the point of purchase to entice consumers to buy the item or buy more units of the item.

Most in store specials for national brands are supported by discounts funded by suppliers. In store specials for private label are funded from retailer's margin. These offers on branded and private label products are for a set period of time.

Walmart call them **Rollbacks**, Sobeys calls it a **Save Cycle**, Loblaw call them **In Stores**

Each retailer has their own schedule and period of time for these temporary price reductions. Ask your contacts in merchandising for the lead time and scheduling process. Usually, they need to be approved and they also have to buy inventory.

Innovation: An improvement or a change that delivers more value to customers and/or consumers, based on their needs, not yours. It is most valuable when the customers and/or consumers confirm the value has been created.

Innovation is a great word and people in the food industry can get very excited when they believe they are bringing innovation to the market. It is important to take a moment to ensure customers and consumers are going to give you credit for the effort and resources you invest to deliver innovation. They have different needs and it can be beneficial to consider them when deciding where to deliver innovation.

Inventory turnover: The time it takes for a product to move through the retailer's system and be sold through the cash register. With 35,000 SKUS in the average conventional store there is a huge cost to the inventory. Most retailers will not pay suppliers for at least 30 days and their goal is to sell the inventory or turn the inventory before they pay for it.

Most retailers will measure inventory turnover at the warehouse and store level. There is significant pressure on supply chain and retail employees to sell through inventory in a timely manner.

Line Pricing: A pricing strategy where a number of items are priced the same. These can be different flavours and, in some cases, even different sizes of one product. Line pricing is preferable for some retailers because it simplifies the retail pricing in the category. This strategy can also be advantageous for suppliers because it can result in a higher margin on your best-selling SKU.

Listing Base: The database that includes all of the items that a retailer would have in their stores. This is a very important component of a retailer's system as many factors are determined by the listing base. Stores and warehouses only have so much capacity, so the listing base for a specific retailer must.

Category managers (or category buyers at US based retailers) own the listing base. They decide which items will be listed with the retailer. Usually, they have a predetermined number of SKUS that can be included in their category. When an item is included in the listing base, it means the retailer has agreed to put it in the stores, find a place on the shelf and manage the retail pricing through the front end.

Listing Fees: Amounts retailers charge suppliers to get their product listed and on the shelf. There is no formula or published rate for listing fees. They are really determined by the reach of the retailer and the ability of the supplier to pay. When suppliers pay listing fees this will usually guarantee the space on the shelf for at least a year to get the product established and deliver the sales required to stay on the shelf.

Listing fees are usually only for regional or national listings. Retailers do not charge these for products in their local program. In specialty stores the request will usually be 'free fill' which is a form of listing fee. This is a free case for each store of each SKU. This can add up so be ready for it if you are working with a distributor selling into specialty stores.

Loss leader: An item in the ad or flyer priced below the retailer's cost of goods. Usually these are only on the front page of the ad and they are featured to drive consumers into the stores. The idea is to generate a lot of store traffic with a loss leader and sell consumers other products when they come in for these items.

Loss leaders can cause a lot of disruption in the industry because one retailer will see an item advertised below their cost and believe their competition got a better cost.

Loyalty Programs: Store specific programs consumers participate in where there are rewards to incentivize members to buy specific products and spend more at specific stores. Many of the incentives are funded by suppliers to entice consumers to buy their products. Retailers collect consumer purchase data when the card is scanned and have the ability to analyze who is buying what.

There are many opportunities to invest with retailers. With the incredible pace of change in technology, loyalty programs are a tactic used by many stores. The basic premise is to reward consumers for their loyalty by allowing them to accumulate a benefit that is tied to purchases. In theory the more they spend at that specific store, the better the benefit is. In exchange for the benefit consumers allow retailers to track their purchase history and build consumer profiles. Ultimately, the consumer data is the most valuable component of these programs.

Manufacturers Suggested Retail Price (MSRP): The retail price a supplier would suggest for their products. This is more common practice in general merchandise and in the specialty channels of the food industry.

We see producers and processors very concerned about the retail price of their products. It is understandable, as the retail price often determines if consumers will buy the product and where it is perceived to fit within the category. The reality, if you are selling into the large retail chains, is you should not and cannot really determine the retail price. You can influence it, but you really cannot tell them what the price will be.

Margin: The difference between the retail price and the retailer's cost of goods. Retailers always operate on margin or gross margin. To calculate the margin percentage, subtract the delivered cost from the retail price and divide by the retail price. Retailers will have different margin targets by category and department. This is not the same as mark up and should never be used interchangeably.

Mark up: When a specific amount of profit is required to operate a business producers and processors will take all of their costs and then multiply by a percentage to arrive at the final price. The percentage used in this equation is the mark up. This is not the same as margin and should never be used interchangeably.

Marketing Spend: The total amount a supplier spends that is targeted directly at consumers. This can include social media, mass media, public relations, consumer trade shows, supporting community events, signage at your local rink or any other money you spend to build your brand or drive sales with consumers. Consumers are creatures of habit and you will need to create demand for your products.

Merchandising: The business unit within the retailer responsible for determining which items will be listed, where they will be purchased, the retail price, where they will be displayed for sale, selecting flyer items and implementing theme promotions.

Mixing Back: Retailer's planning process to merchandise higher margin items, next to lower margin items. The goal is to sell the higher margin item too and deliver closer to the category margin for that consumer. Entice consumers in the store with discounted ad items and then sell them a higher margin, complimentary product, to improve the gross margin.

Items used to mix back will often deliver incremental sales. They can have a slight discount, but this is not always the case. If the lead item has a substantial discount consumers will be searching for the sale. If they believe they are saving enough on the lead item they will be more likely to pick up the items merchandised to mix back, even if they are at regular price.

Off shelf: A secondary display of products away from their regular shelf position. Often these are end caps or floor displays.

Operations: The business unit within the retailer responsible for running the stores, managing all controllable expenses (such as labour) and implementing the plans developed by the merchandisers.

Operators: People responsible for the store operations part of the retailer's business. They manage all of the controllable expenses required to run the stores. This would include labour, utilities, supplies and other store expenses. They are also responsible for delivering the sales, margin and execution in each store.

Operator's structure is a senior person reporting into the business leader, with directors or district managers who each have their own group of store managers to manage. The store managers in turn manage the department managers. Their interaction is limited with suppliers but there are occasions where operators can provide valuable insights to suppliers.

Over and above: Any amount of money invested by suppliers to drive sales or otherwise improve the relationship with a retailer. Most retailers want an everyday cost and then they will focus on the over and above dollars the supplier is willing and able to invest in driving sales. Examples of over and above would be discounts for ads, reduced costs for in store specials, investments in loyalty programs and other trade spend amounts.

Plan-o-gram (POGs): The predetermined placement of items for a particular section of shelving. Retailers develop plan-o-grams to maximize sales and profit within a category. Other factors such as control label SKUs, preferred vendors and listing fees are considered when building POGs.

Retailers will only consider new items or changes to the listing base during predetermined windows of review. Your customers should share those reviews with me or if you are using RangeMe you can find them listed for select retailers. When they do a category review and decide to list new products they must be incorporated into the planogram.

Point of sale: The place consumers make the decision to buy. This can be the regular shelf, an over and above display, an end cap or even the website. Retailers see this as very valuable real estate and they encourage suppliers to invest at the point of sale. A sign on the product at the point of sale can be very effective to encourage consumers to purchase this particular item.

Price Freeze: A consumer promotion to drive traffic into stores and reinforce a retailer's price image. The retailer declares the prices on an absolute number of products will not change for a pre-determined amount of time.

Retailers will negotiate and confirm there will be no product cost changes with suppliers during the promotion and essentially 'lock in' the prices. Price freezes can drive sales and bring stability to margins for the retailer.

Private label: The products available that the retailer develops and sells. These items usually get preferred shelf space because the retailer derives more profit.

In some retailers private label can represent between 30-50% of sales. Private label are products developed and controlled by the retailer. Sometimes called house brands or control label they are only available at the retailer's stores and usually they are priced lower than comparable national brands. The theory is these products do not require the significant investments in trade spend and marketing spend to drive their sales.

Product Look Up (PLU): Codes embedded in the retailer's systems to identify specific items that do not have UPC codes or bar codes for scanning, such as two bagel a customer has self selected in a bag and written on the code. Cashiers must input these as the item goes through the checkout. Often used for produce, bulk and bulk bakery items. The produce industry has standardized PLU codes which are used around the world. Some produce items now have PLU codes that will scan at the cash register.

Profit: The difference between the selling price and the total cost of a product. Retailers focus more on margin than they do the dollar amount of profit per item. They are managing so many SKUS they have to focus on a category margin percent to deliver their results.

Range Me: A digital sourcing and purchasing platform used by retailers to discover and connect to suppliers to grow their business. It is commonly used with many American retailers and starting to gain traction within Canada.

Rebates: Amounts retailers charge suppliers for having the product in the listing base. Rebates are very general and they do not ensure specific performance or positioning for suppliers. They are more common in perishable or fresh departments but we do hear of them in grocery as well.

Listing fees get many products onto the shelf and rebates keep them there. Rebates are a percentage of supplier's sales to the retailer, deducted before the supplier is paid. This is often in the 2-5% range and should be included in the amount suppliers count as trade spend.

Recall: Products that are no longer fit for sale that need to be pulled off the shelf and destroyed or returned to the supplier. Product recalls are very expensive for everyone and they can damage the relationships between suppliers and retailers. Product can be recalled by a regulator, such as CFIA or by the supplier.

All suppliers should be aware of a retailer's recall policy. Industry standard is for retailer's to bill suppliers back for the retail price of all product removed from the system for the recall. The rationale is the retailer incurred all of the expenses to move the product through the system and they want to be compensated, not to mention the lost sales until the product is replaced.

Product recalls are very serious and need to be a top priority for everyone in the value chain.

Retail: The price point on the shelf or the website.

Retail Coverage: A dedicated resource that visits stores to ensure products are merchandised properly, priced right, promotions are in place with the objective of getting more exposure and driving sales.

Retail coverage can be an internal or external resource. The key is to have a schedule where all retail outlets are visited with the right regularity to deliver the sales budget.

Return on investment: The value generated by a supplier when they invest in trade spend with a retailer. There are many options such as ads, in stores, loyalty, demos and signage for suppliers to invest with retailers. Every time one of these investments is made the supplier should try to understand if the baseline sales after the promotion were higher. This is the return they are searching for, from the dollars they spent on the promotion.

Sales per labour hour (SPLH): Sales dollars that go through the cash register divided by the total labour hours used. Retailers will look at this by store and by department. It is a measure of effectiveness. Labour rates change but the total hours required to deliver the total sales helps them understand where they are most productive.

Labour is the largest controllable expense for retailers. They put a lot of time and resources into labour scheduling. In a business where the bottom line is usually between 1-2.0% effective labour scheduling can make a huge difference.

This is a key metric for retailers, when retailers put a lot of emphasis on something suppliers should understand it and perhaps even explore implementing a similar practice in their own business.

Sales per square foot: Total sales divided by the retail square footage of a location. Sales per square foot usually exclude back room (warehouse) space.

Scorecards: A management tool created using a number of metrics to compare results from one period to previous years. Suppliers should measure performance year over year, especially during key sales periods. Conclusions from these scorecards can be used to share results with customers and judge your own performance.

Your scorecard needs to start with sales. This is the #1 priority for almost every retailer. When your customers are focused on it, you need to be too. Sales are not always easy to measure. There are different variables and timing can be a challenge. Despite the difficulties sales need to be analysed. We know the pandemic has influenced sales from year to year.

Service level: Calculated by dividing the cases you deliver, on time, in full, within spec, with the correct labelling and packaging by the number of cases ordered by your customer. Most retailers expect suppliers to deliver over 95% service level.

Getting your products to your customers, at the right time, in the right condition, can have a very positive impact on your relationship with your customers. Retailers depend on suppliers to deliver great service level.

Shelf Pricing: The regular retail price of items in the store.

Shielding: Retailer's planning process to merchandise private label products beside the leading national brand. The intent is to get consumers to switch to the higher margin private label product. Retailers expect comparable costs to be lower on private label. The margin required for consumer-packaged goods companies to invest and build the brand is not built into the cost. This can be a 30-40% difference. Private label almost always delivers more margin than comparable branded products.

Shielding is done on the regular shelf and built into many category plan o grams. Shielding is also planned to reduce the hit from low margin ad items in over and above displays.

Short Code date products: Products that have a short period of time before the best before date expires. These are more challenging for retailers as there is a limited time to get the item through the supply chain, into the store and into the shopping cart.

Shrink: The value of goods the retailers purchase from suppliers that never make it through the cash register. Shrink is caused by damages, code date expiration, theft, product degradation or data integrity errors.

If we say the retail food industry in Canada is approximately $115,000,000,000 per year and total store shrink averages 2%, then it is costing retailers $2,300,000,000 per year. This is probably close to the bottom line of all retailers added up. In other words, it is a big issue for them and they are very interested in opportunities to reduce shrink.

Specialty stores: These stores serve a specific segment of the market. They are often developed to meet the needs of consumers from one or more ethnic backgrounds or focus on one department such as a butcher or cheese shop. The majority of specialty stores are regional and they have to differentiate their offering from the large retailers. These stores are often very good at what they do and s destination for consumers.

Stock Keeping Unit (SKU): The term used to describe an item or product. Every flavour and every size of every product is a unique SKU. The average conventional store has approximately 35,000 SKUS.

Supply chain: The business unit within the retailer responsible for procuring, warehousing and distributing products.

Sustainability: A broad term used to describe initiatives to protect the environment. Consumers and regulators continue to demand change which forces food producers, processors and retailers to respond.

In the food and beverage industry we see three key areas of focus for sustainability:

1) Food waste-a considerable amount of food is produced, but never consumed. This drives up prices and hurts the image of the industry.
2) Packaging-is top of mind for consumers and regulators. They see it every time they are in the store and there is a lot of single use plastic in food and beverage packaging. Sustainable packaging can be a good point of differentiation.
3) Environmental footprint-food production, processing and retailing can require a lot of energy or other impacts to the environment. Many members of the value chain are looking for opportunities to reduce their impact on the environment.

Temporary Price Reductions (TPR): Any reduction from the regular retail price and this would include loyalty program offers such as Air Miles or PC Optimum.

The food and beverage industry has done a great job training consumers to look for temporary price reductions (TPR). Consumers love a deal and we continue to offer a steady stream of price reductions and added value. Often it is the sign that comes with the TPR that is more effective than the actual price point. Your customers will be more focused and knowledgeable about the price point.

Test market: A limited number of stores or markets where a promotion or other tactic can be implemented to get an understanding of the results. There are many factors that can impact the sales of a product. Some expensive initiatives do not deliver the results of other less costly promotions. Any time a supplier can take advantage of a test market it can be a good option to assess the level of investment and return. With a smaller number of stores in the test market it is possible to compare to the larger group of stores where the tactic was not employed.

Retailers can be open to test markets because it is a good sign to them that the supplier wants to try things and learn about sales results.

Top line: Sales, which is THE priority for any business.

Trade spend: The total amount suppliers invest with retailers. This can include discounts to support ads, in stores or multi buy offers, money you spend on loyalty programs, demos when they can happen, over and above money, trade shows to meet with customers and any other money you spend with your customers to build your brand or drive sales.

Trade spend is a reality and one that you can manage. Investing to differentiate your product might be more important than ever in a period of high inflation.

Trade shows: Industry events where the buyers and sellers gather to exhibit products, service to the industry and connect with existing and potential customers. At trade shows suppliers should focus on the benefits their products bring to customers and consumers. We know food and beverage trade shows are great opportunities to see new items, learn about the trends and see customers.

Universal Product Code (UPC): A 12 digit number and associated bar code on each unique product. These numbers are used to track the item through the retailers' systems.

Value proposition: Suppliers need to give consumers a reason, or multiple reasons to select their product. Every product needs a value proposition. When a consumer stands in front of the category to make a choice, the product's value proposition will be the reason they select it off the shelf. This can be a combination of many factors including, but not limited to; price, quality, sustainability, flavours, ingredients, consumer claims, packaging and more. Great products understand their target market and deliver a great value proposition for these consumers.

Volume: Sales through the cash registers. Volume can be dollars or units.

Warehouse Distribution: product shipped to the retailer's warehouse, received and goes back out on a truck, usually owned or operated by the retailer, for delivery to the store. This is more common with large suppliers where full pallets and trailer loads of product can be shipped to a warehouse and then distributed to stores. This should be the most efficient method of distribution in that freight is optimized into the warehouse and then the same is true when the truck is sent to the store.

Wing: A small unit beside the end cap. Some retailers use these to merchandise items that do not work well on regular shelving such as a display of birthday cake candles. Other retailers will change these to display higher margin complementary products to tie in to the large volume item on the end to draw the consumer in with the ad item, then sell them something profitable.