

the vineline

September/October 2005

Official Magazine of the NATIONAL WATERMELON ASSOCIATION



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Corrugated Bins

The Silent Sales Representative

How do we sell more watermelon to consumers in North America? How does anyone sell more of their fruits and vegetables to end users? That notion has been debated for a very long time, and will continue to challenge marketers for decades to come.

In today's retail produce departments, there are upwards of over 600 varieties of fruits and vegetables for sale (*not counting the tens of thousands of other products in a typical grocery store or supercenter). Now more than ever, it is imperative to get the shopper's attention as she enters the produce department to make purchase decisions for her family, and most importantly, before she leaves to finish the rest of her shopping trip.

Displays, nutritional & health information and colorful graphics have never been more important to grab her attention. As marketers, we have only a few precious seconds to get her attention before she proceeds to other departments or products that do get her attention. Watermelon bins provide such an opportunity for our industry throughout North America.

Marketing watermelons

Display space in produce departments is very valuable real estate to capture. Bins provide that opportunity to merchandise watermelons outside of the typical long gondolas and refrigerated units of fruits and vegetables, where they can get lost amongst the hundreds of others produce items.

The National Watermelon Promotions Board (NWPB) sponsored some research which clearly indicated that melons sell much better when presented to the Customer in graphics bins.

The NWA's corrugated members typically change the graphics on their bins with input from their customers (growers and shippers) as well as their retailers "to assure that any graphic changes are in concert with their views", according to Ken Mears, Tri-Wall's Eastern Region Produce Manager.

Graphics can also be changed more frequently as needed. "Over the past few seasons we have changed graphics yearly based on factors such as safety arrows and nutritional messages", says Jim Mastropietro, International Paper's Produce Product Specialist.

Graphics and color draw attention and customers to look and see what's going on. "Corrugated bins allow the use of graphics as silent sales representatives on the supermarket floor to help increase melon sales", said Dan Hofer, General Manager of the Packaging Corporation of America (PCA).

Why corrugated bins?

The corrugated industry continues to have the market covered as the dominant shipping material for produce in North America. In the overall produce industry, that equates to over 92% of annual retail case volume.



For the past few years there has been a slow but bubbling debate relative to the use of corrugated bins and RPCs (plastic, reusable bins). The RPCs are being used by a few retailers in the United States today, but the jury still remains out as to where that part of the bin business will end up long term. Studies are being conducted with a few retailers that are using the RPCs to research their long term viability (costs, usage, sanitation, repair, etc.). While those studies are being conducted, let's look at the corrugated business, and see why our watermelon industry relies heavily on corrugated.

Conserving our country's natural resources is important to majority of us, as is recycling by millions of Americans. Corrugated bins are not only recyclable but also repulpable, which means that following their sell-through use in retail stores, the paper mills can repulp and recycle used bins into new ones. This process is also helpful to hold the bin costs down while helping to conserve our country's natural resources.

Other advantages of corrugated bins include:

- Linerboard is made from wood fibers, a renewable resource
- Over 70% of linerboard consumed in the U.S. is recycled.

- Bin customization includes ventilation, print and strengths to meet the needs of the grower/shipper.

Plain Kraft bins

Walmart Supercenters made a decision to go with less costly, Kraft bins which have no graphics whatsoever. Some industry executives indicated that this change is simply looking for the cheapest bin to save costs. That is where plain brown bins fit the bill.

That decision, however, has created a dilemma of sorts for the corrugated industry as a result. There is now a necessity to carry dual inventories of both plain Kraft bins and graphics bins which creates inventory and space costs for manufacturers and our own industry. Because of the spiky nature of watermelon deals the bin suppliers must pre-build inventory to meet the demands of the Market. According to Bernie Campbell of Georgia Pacific, "It is a guessing game on how many to keep in inventory." Being able to project those market needs has become a challenge to some companies this year.

As time passes and the bin industry adjusts, future projections may



become more apparent for inventory builds and potential usage. In that manner, they will be able to take additional costs out of the mix and continue to provide the Market's needs as needed.

Movement to shorter bins

All of our corrugated members agree that the greatest growth has been in the 24 inch bins for the past year. This has been caused largely as a result of the increase in seedless production to keep up with changing consumer demand, as well as from a shopper convenience standpoint. It is much easier for the customer to retrieve and se-



lect a watermelon from a shorter bin at the supermarket.

Sales growth has also been experienced in the 26 inch bins, although to a lesser extent than the 24 inch versions.

Bubbling realities

No matter what business you may be in, or what part of the watermelon industry you may partake in each day, we all have realities and challenges to face. None of us are protected from challenges and periodic issues. That is simply the nature of business and relationship building. Thus is also the case in the corrugated bin business.

How is the corrugated industry affected by decisions from their customers and retailers? As you can imagine, some good and some not so good. That is the reality of business, and one that they adjust quickly to keep their customers supplied and pleased with their services and products. What are we talking about, and how is it driving costs up?

(1) Late decisions and changes in size or print require-

ments from what was originally projected can result in seriously disrupted inventory imbalances.

(2) Freight costs are rising for all of us in the industry including our corrugated partners.

(3) A sharp reduction in the number of customers that used to pick up bins at the corrugated facilities; more shipments are being routed through traffic departments or drop trailers are being required.

Costs are rising for us all in and out of the watermelon industry. That is a given in today's environment, society and free enterprise business world. There are some things that we can potentially do to help our corrugated partners to keep costs down.

The most popular solution is the ability to accurately forecast which would allow suppliers to provide the correct product at the right time for the lowest cost. Utopia, the perfect world with perfect people and perfect conditions, does not exist, but it is not a bad thing to strive for. None of us have a crystal ball, although we wish we did. But, by becoming better forecasters and making bin change decisions earlier, we can help our partners to gain ground on Utopia.

Responsive Partners

The NWA's corrugated partners are committed to adjusting to changes in the industry and delivering to their customers' expectations. By telling their story through this feature article, we hope to provide some additional insights to our members in support of their efforts. That is, their efforts to provide outstanding service and products to their customers in our industry at the lowest costs possible. Today's way of doing business is different than yesterday, and will be much different tomorrow. By talking amongst one another and understanding the surrounding issues, we can make the industry work for us all, and profitably.

Our thanks to Bernie, Dan, Jim, Ken and Mitch for your valuable input and support of this article. Your support of this effort, and all that you do for the Association, is very much appreciated. Thank you!

