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Oct 22, 2007 12:00 PM, By AMANDA BALTAZAR

Cross-merchandising opportunities abound for retailers that can overcome territorial issues

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It's no secret that displaying a product beside a complementary item makes shopping easier for consumers and leads to incremental sales.

Whether it's ingredients used to assemble three-cheese ravioli with spicy arrabbiata sauce, or the classic white bread, peanut butter and jelly trio, complementary items have, for years, gotten along famously. Department managers, on the other hand, aren't always as cordial.

One of the biggest cross-merchandising challenges arises from turf wars staged when managers don't want to cede their section's space or allow others to get credit for items sold outside of their department, industry sources note.

"Retailers need an umbrella person who's not involved with turf, and whose primary interest is the customer," suggests Jim Hertel, managing partner at Willard Bishop, Barrington, Ill. "The critical piece is that it's a unified vision that goes from the top down and everyone marches to the same tune."

Wellesley Hills, Mass.-based Roche Bros. heeds this advice by facilitating store manager meetings to ensure that communication filters down to department heads, according to Jerry Cedrone, the 15-store chain's director of grocery products development. To encourage cross-promotion-related interaction, he reports the increased sales of items that have been sold outside of their traditional departments.

Similarly, Hy-Vee, West Des Moines, Iowa, has worked hard to break through its own territorial struggles, according to Pat Hensley, assistant vice president of operations for the 225-store chain. The retailer also stages meetings for its store managers where they can discuss cross-merchandising ideas to take back to their respective locations.

"How are you going to maximize the average sale in your store? It's an ongoing exercise," he said. "You've only got so much square footage, so you've got to do all you can."

A tour of one of its stores might reveal Reddi-wip merchandised with fresh strawberries; meat thermometers and turkey basters in the poultry department; corkscrews and wine gift bags in the wine section; and disposable cameras and Scotch tape in the gift aisle.

One of the most overlooked areas is the pharmacy, Hensley noted. Hy-Vee displays vitamin C pills in the orange juice section; cold medications near the tissues; and even toothbrushes near cereal and candy.

"It's all about creating a convenience for your customer," he noted. "It's simple, and it's a missed opportunity for most retailers."

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ALL FOR ONE

Richard Tarlov, food consultant and owner of San Francisco-based Canyon Market, promotes the idea that all departments share the territory.

He often reiterates to department managers that they're working together for a single store, with one goal, and if one department manager gets the credit one day, another will get it the next.

His efforts have resulted in trials of such items as vinegars and oils that are displayed on the deli counters of his specialty store next to samples of store-made dressings so customers may consider making their own. Cross-merchandising has become a lucrative strategy at Canyon Market, where the practice often increases sales of both items that are displayed together. For example, a marinade in the meat department may encourage a shopper to buy a new cut of meat, as well as the marinade, Tarlov explained.

"Those who cook for themselves sometimes just want to see something different," he said.

Indeed, the beauty of cross-merchandising is that you're selling ideas to customers, said Carol Knight, a partner with marketing consulting firm Fletcher Knight, Greenwich, Conn. She advises retailers to also consider convenience.

"Shoppers are more open to suggestions in the perimeter of the store when they've not yet set their ideas of what to cook for dinner," she said. "They're in there to get in and get out, so retailers need to think about where they put displays."

To help avoid confusion, Simon Hay, chief executive officer of the customer-centric marketing company Dunnhumby USA, suggests merchandising the same items in two places.

"Cross-merchandising is not necessarily an either/or decision," he said. "People think that something should be in Place A or Place B, but it's often best to put it in both." If you don't put a bottle opener in the hardware aisle, he explained, you'll lose the sale, but if you put it in both the hardware aisle and the beer aisle, you're likely to get an incremental sale.

"We build long aisles, big stores, and hope customers will walk all over them, but it's often not the case," said Hay.

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SELLING UP

Cross-merchandising tends to mean an extra sale for retailers who do it, but many grocery stores go one step further, cross-merchandising upscale ingredients that a customer typically wouldn't otherwise think of or consider buying.

Morton Williams supermarkets, Bronx, N.Y., upsells steak sauce to customers in its refrigerated meat section.

"We use only the really upscale sauces, like Peter Luger," said Artie Rosenblatt, senior merchandising manager. "If they're looking for A1, they know where to get it."

Roche Bros.' Cedrone follows the same strategy.

"If [customers] go to the aisle, they'll get what they always buy," he said. "But if they like the [cross-merchandised, upscale] version, they'll look for it next time."

Cedrone often goes after incremental sales of higher-margin items. During the summer months, for instance, Roche Bros. displays colanders beside berries.

"That same item located out of [the produce section] wouldn't have generated 25% of the sales it did this summer," he said.

Ultimately, cross-merchandising is about enhancing the in-store experience and creating an emotional connection with a shopper, who not only finds products conveniently at hand, but is also given suggestions of new things to buy.

As part of its occasion-based merchandising strategy, wine maker E. & J. Gallo suggests retailers take some of the guesswork out of wine selection by cross-merchandising the varietals that shoppers might like to unwind with beside similarly relaxing items like candles and bath products in the health and beauty care section. Similarly, it suggests displaying bottles of wine that shoppers might like to take to a party beside flowers in the floral section, and varietals that are to be consumed during a dinner for two along with meat in the meat section.

"Anything that exhibits [a retailer's] creativity and interest in the customers will be appreciated by customers," said Tarlov. "They like that you're working for them to make their visit more interesting and easy. It's about building relationships." At the same time, he said, it can also make store employees' jobs more fun and interesting.

Cross-merchandising is particularly appreciated during the holidays, when shoppers are busy. The holidays are big for Choices Market, said Jon Janower, manager of retail operations for the Delta, British Columbia-based retailer. For Thanksgiving, displays can include turkey

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basters, foil pans, gravy and stuffing, all merchandised in the meat department. For Valentine's Day, chocolates are merchandised in the floral department and vice versa. There's also a "sweetheart package," he said, of chocolate and a sparkling beverage.

For the past three years, the Yaletown, Vancouver, Choices Market store has exhibited an enormous \$399 bouquet as a centerpiece at its entrance. Only one has sold in three years, "but it's a 'wow' statement that puts Valentine's Day in everybody's mind," said Janower.

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SAMPLING SOLUTIONS

Retailers are taking some of the mystery out of mealtime by serving up tasty solutions.

As part of its Apron's Simple Meals program, Publix Super Market employees prepare recipes in-store and then distribute samples, along with recipe cards, to shoppers. All the ingredients used to make dishes like Simple Seared Steaks, Sweet Potato Scoops and Garden Salad are cross-merchandised in a bunker beside a store's meal kiosk. The products are not boxed up, because many customers have the basic ingredients, such as oil and garlic, in their pantries already.

"Customers look to Publix for meal solutions," said the Lakeland, Fla.-based chain's spokeswoman Maria Brous. "They depend on us to make their shopping experience enjoyable and easy. We do both when we are able to take the guesswork out of meal planning."

To help encourage trial of the ingredients used to prepare recipes featured in its Wegmans Quarterly Menu magazine, the retailer prepares and offers tastes of these dishes at the menu meal stations of its produce departments, where it also cross-merchandises product. As part of its "Take it. Make it" program, Wegmans also offers the featured meals, ready to eat, in its prepared foods department.

"Wegmans is the shining example [of cross-merchandising]," noted Jim Hertel, managing partner, Willard Bishop, Barrington, Ill. "Its mission is both food-centric and holistic. They want to help their shoppers prepare food the best they possibly can, and that means providing all the tools and instruction they can."

Dorothy Lane Markets, Dayton, Ohio, has unmanned tastings in each department every day, as well as two to four associate-hosted tastings on certain days, usually during weekends.

All tastings are seasonal and have recipe cards available for customers to take home, but most important, all ingredients are available at the tasting for shoppers to easily gather and put into their carts.

"We have found out that if you don't have the products within a few feet [of the tasting], you'll lose the sale," said Ed Flore, Dorothy Lane's store director.

Twice a month, store managers from the three stores meet and discuss cross-merchandising possibilities, such as tasting a specific deli meat with a certain type of bread and a specialty mustard.

Dorothy Lane cross-merchandises a variety of go-together items: cheese spreads in the bakery department; endcap displays of pasta, sauce, Parmesan cheese, wine and colanders; sangria wine next to fruit; and lemon zesters near the lemons. Its three stores have also removed four-foot sections from their oil aisles in order to

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accommodate daily tastings of olive oils with breads.
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