

Glossary

Advance pricing/lid prices. Buyers and sellers may negotiate “lid prices” or price ceilings for estimated quantities of product in anticipation of future retail promotions. No price floors are implied with these advance prices, meaning that if market prices decline in the interim the buyer is likely to request a lower price, whereas if the price rises the shipper is obliged to supply the estimated volume at the lid price.

Automatic inventory replenishment. The supplier is electronically integrated into the buyer’s inventory management system. The preferred supplier thereby has the responsibility, authority, and access to the data necessary to co-manage the inventory with the retailer, according to negotiated parameters. The supplier is responsible for maintaining appropriate inventory levels at identified distribution centers and for shipping product according to the agreement with the buyer, rather than waiting for product orders from the buyer.

Branded produce. All produce shippers have trade labels that are recognized by retail produce buyers, but most of these are not consumer brands since they don’t achieve consumer recognition. In this study, branded produce refers to products with brands that consumers may also recognize. Firms that successfully develop a differentiated product often use branding to solidify that advantage.

Broker. A broker is an agent in the marketing chain that negotiates transactions between buyers and sellers without taking title to the merchandise or physically handling the product. There are also buying brokers that purchase on account for clients and do take title.

Buy-back unsold product or failure fees. Retailers may charge suppliers fixed fees when products fail to sell or force shippers to take back product rejected at the distribution center level. A few shippers offer to buy back products that do not sell.

Capital improvement fees. Fees requested of suppliers by retailers to help pay for internal capital improvements, such as new refrigerated display equipment or the construction of new warehouses.

Category management. The process of making data-based decisions on shelf allocation, product mix, pricing, and merchandising strategies within a category of products, with the goal of improving category profitability. To conduct effective category management

there must be access to accurate retail data at the standard stock-keeping unit (SKU) level. Retailers may conduct category management in conjunction with their supplier partners or with industry-wide representatives, such as commodity marketing commissions. More shippers are investing in the analytical and information management capabilities necessary to provide this sophisticated service to customers.

Contracts. In this study we define contracts broadly to include preferred supplier relationships/deals, partnerships, or programs between buyers and sellers. Specifically, contracts include both written and verbal negotiated sales arrangements that cover multiple sales transactions or ongoing relationships. The point of distinction (relative to daily sales) is ongoing sales and marketing agreements with buyers versus single shipments, even if price is not fixed.

Copacking. Firms may enhance their product line by having another shipper pack according to their specifications. These arrangements allow each firm to specialize in products in which they have a competitive advantage. For specialty items with small absolute volumes like escarole or bok choy, for example, firms can achieve scale economies through such arrangements.

E-commerce fees. Fees charged by new e-commerce firms to sell products using their electronic exchanges; these fees may be per transaction, or fixed for a specific period of time, such as a month.

Electronic data interchange (EDI) or retail link programs. These are bilateral electronic transactions between specific retailers and their preferred suppliers. They may be used only for invoicing or for electronic ordering and other procurement activities.

F.o.b. shipping-point price. Free-on-board prices exclude freight and insurance costs. This price is the average, unweighted unit price received by the shipper or grower-shipper primarily for sales in carload or truckload quantities but also including mixed loads.

Foodservice. Foodservice outlets provide products to consumers via commercial channels such as restaurants and hotels as well as non-commercial channels such as hospitals, schools, and other institutions.

Free product discounts. When a shipper offers a new product, a retailer may request a certain number of free boxes, usually a specific number per store. Con-

versely, when retailers open new stores, they may request free products from their suppliers.

Fresh-cut produce. Lightly processed fresh produce sold in cut and/or packaged form rather than as unprocessed bulk commodities. While these products are lightly processed they are still perishable with shelf life generally ranging from 14 to 21 days. Bagged salads and broccoli florets are common examples of fresh-cut produce.

Grocery retailers. Grocery retailers are broadly defined to include integrated wholesaler-retailers, consisting of the buying operations of corporate chains such as Kroger or Safeway, voluntary chains such as Super-Valu and Fleming, and retail cooperatives like Associated Grocers and Certified Grocers of California. Voluntary chains consist of sponsoring wholesalers who supply independent retailers or small chains and, in some cases, their own stores as well. Retail cooperatives are essentially member-owned wholesalers since they consist of groups of retailers who jointly own a central buying and warehousing facility.

Grower-shippers. Growers that forward-integrate into the shipping and marketing of their own produce, frequently handling that of other growers as well, usually acting as sales agents rather than taking title.

Listing fees or warehouse fees. Listing or warehouse fees may be required to become a supplier to a distribution center, and are charged to cover the administrative costs of entering the shipper into the buyer's computer system.

Market power. A firm with market power can affect price by its own actions, for example raise the market price above competitive levels by reducing output. In contrast, in a competitive industry, firms are price takers and individually they can not raise price without losing their customers.

Mass merchandisers. Mass merchandisers include supercenters (large general merchandise discount stores with grocery departments) and club stores (membership wholesale clubs).

Pay-to-stay fees. Upfront fees paid to retailers for an existing product to retain shelf space. While economists distinguish between pay-to-stay fees for existing products and slotting fees for new products, shippers do not always distinguish between the two. In some cases, we discuss pay-to-stay fees and slotting

fees together and for convenience call them both slotting fees.

Perishable Agricultural Commodity Act (PACA). The Perishable Agricultural Commodities Act is designed to encourage fair trading practices in the marketing of fresh and frozen fruits and vegetables in interstate and foreign commerce. It prohibits unfair and fraudulent practices and provides a means of enforcing contracts. Under the PACA, anyone buying or selling commercial quantities of fruit and vegetables must be licensed.

Price look-up (PLU) codes. Codes used by retail tellers to look up the price of unpackaged fruits and vegetables. These codes may be retailer-assigned or standardized. Most standardized codes are four digits, but if products are organically grown a 9 precedes the regular four digits. If an item is genetically engineered, an 8 precedes the four digits. The Produce Electronic Identification Board, part of the Produce Marketing Association, assigns the standardized numbers.

Private-label product. An item sold under a buyer's trade label rather than the shipper's. The demand for customer-specific labels is growing, both among retailers and distributors.

Promotional fees or cooperative advertisements. Shippers pay promotional fees to retailers to promote their products to consumers. They may be fixed, upfront fees or structured as per-carton allowances. There may or may not be a performance commitment associated with these fees. For cooperative advertisements the buyer also contributes toward advertising jointly with the shipper.

Other rebates. These are per-unit price reductions without any stated performance commitment.

Repacker. A produce wholesaler who ripens and packs or repacks bulk produce, particularly tomatoes, generating packs with uniform product maturity and often providing presentations specific to the needs of individual buyers.

Returnable containers. These include recyclable plastic cartons (RPC's) and standardized pallets. They reduce solid waste and may help to streamline physical handling at the distribution center and store levels.

Shipper. Any shipping-point firm engaged in the business of marketing produce from growers or others and

distributing such produce in commerce. Shippers may or may not be forward-integrated growers and they increasingly also operate as importers in order to extend seasons or product lines.

Slotting fees. Economists define slotting fees as up-front fees paid by suppliers to retailers to guarantee shelf space for new products. Fees that are paid to guarantee shelf space for existing products are referred to as pay-to-stay fees. Produce industry usage does not always distinguish between the two. Listing or warehouse fees are similar. In some cases, we discuss slotting and pay-to-stay fees together and for convenience call them both slotting fees.

Special merchandising displays. These are store-level displays designed to enhance product sales. Suppliers often assist retailers in developing these displays as means of stimulating consumer demand.

Special packs. Buyers often have needs for particular size, quality, and variety configurations and suppliers may be asked to customize product offerings to meet these needs.

Supply-chain management. A procurement model designed to streamline the distribution system by eliminating nonvalue-adding transaction costs. This often involves marketing programs between buyers and preferred suppliers, rather than daily sales, including contract buying. Focusing procurement on preferred suppliers allows retailers to exercise greater control over product volumes, quality, pricing, promotions, and food safety standards.

Third-party food safety certification. Third-party food safety certifiers examine firms for compliance with both microbial quality control processes, and pesticide application and residue regulations, certifying that food safety control processes meet acceptable standards.

Trade practices. Trade practices is a broad term that refers to the way shippers and retailers do business, including fees such as rebates and slotting fees, as well as services like automatic inventory replenishment, special packaging, and third-party food safety certification. Trade practices also refer to the overall structure of a transaction—for example, long-term relationships or contracts versus daily sales with no continuing commitment.

Universal product codes (UPC's). The 12-digit code found on fixed-weight, packaged items. For fixed-weight produce, as opposed to manufactured items, numbers are assigned by the Produce Electronic Identification Board, which is part of the Produce Marketing Association. UPC's are scanned at retail checkout and at least two companies purchase and assemble scanner sales data for use throughout the food industry.

Volume incentives. Per-carton rebates are paid once a certain volume level is attained. Volume incentives are usually structured with graduated scales, increasing as certain target volumes are reached. Payments to buyers are retroactive after sales for the season, or a specified period, are over.