

# Case Study

## - Doubling Food Store Profit -

A large food retailer was experiencing reducing margins at store level. Not attributable to lower same store sales, and with a market share of 34%, basket size of \$64 and frequency of shop at 39, they needed to approach the challenge of increasing profit from a different angle.

According to food industry advisory bodies, food retailers in general see 30% of store revenue attributable to produce sales.

Again, according to the same industry bodies, average perishable wastage was 16% in the produce department.

16% of 30% amounts to 4,8%. This is what the industry says food retailers are losing to wastage, spoilage and other factors in produce trading. The retailer confirmed that these averages were consistent with their records.

Analyses showed that an average produce delivery cycle for this retailer was 3 days. Store orders placed on Mondays generally saw delivery on the Wednesday or Thursday, with an average number of deliveries of 3.2 per week.

Introduction of a daily same day delivery regime, to every store, would see availability in fresh perishables increase considerably, and lead time between order and delivery reduce dramatically – from 3 days to same day.

This was accomplished by introducing a new daily same day delivery and loading schedule. Perishable losses were reduced from 4.8% to 1.3%, seeing a 3.5% bump in store profit which, historically at 2%, immediately doubled.

Perishable shelf life increased demonstrably, bumping produce sales. This had a positive impact across all stores in their trading areas, particularly smaller far-flung stores.



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