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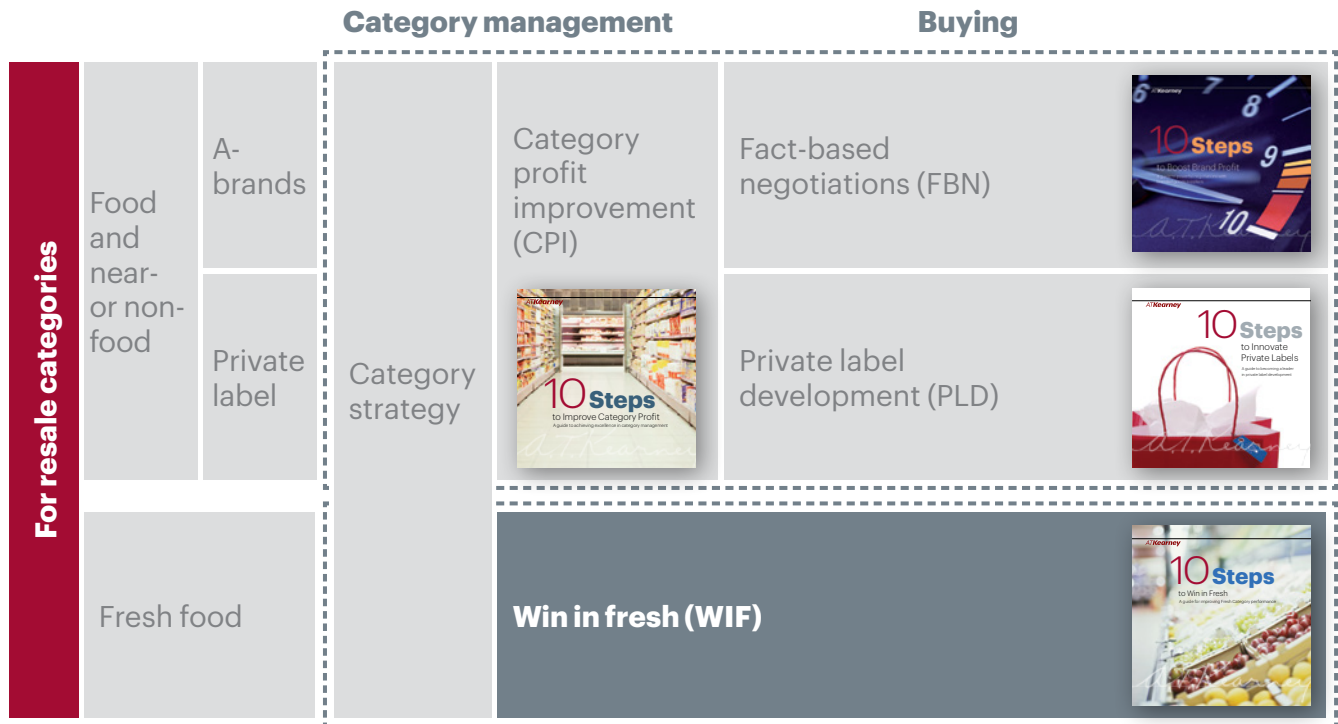
# 10 Steps

to Win in Fresh

A guide to improving Fresh Category performance

*ATKearney*

# A.T. Kearney category management and buying framework



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# Context

**Modern grocery retail is all about fresh food.** In recent years many retailers have reinvented their format strategy to attract consumers with a broader fresh assortment and the design of more appealing in-store presentations. However, due to a complex value chain and supplier structure and volatile commodity prices, retailers struggle with assessing the true profitability of new concepts. Trends such as increasing consumer demand differentiation, continuously higher food safety requirements, and retro-traceability of fresh products place further burdens on implementation.

As a starting point, **clear strategic positioning** is essential to define the playground on which to compete for the heart of consumers: lower prices, better service, premium quality (freshness, variety, and visual appeal), and convenience of the assortment. The right **value chain and buying capabilities are a prerequisite** to implement the defined strategy.

**10 Steps to Win in Fresh**, an all-encompassing approach developed by A.T. Kearney in projects on multiple fresh categories, enables retailers to fully exploit the potential value by working equally hard **on top line growth and bottom line efficiency**. Recent projects around the world have achieved category sales increases of 4 to 6 percent and margin improvements of up to 12 percent.

# 10 Steps

to Win in Fresh

## Foundation steps

- 1** Understand the full value chain dynamics
- 2** Define the strategy and role of your fresh category

## Top line steps

- 3** **Tailor** in-store operations to strategy requirements
- 4** **Create** a coherent and invigorating fresh brand strategy
- 5** **Sharpen** price-quality perception with fresh categories
- 6** **Optimize** assortment based on clearly defined criteria

## Bottom line steps

- 7** **Manage** shrink cross-functionally
- 8** **Extend** make vs. buy decisions by strategic aspects
- 9** **Differentiate** sourcing models to segment dynamics
- 10** **Evaluate** alternative logistics models



We have recently supported international food retailers in **optimizing** fresh categories

### Western European grocery retailer

Conducted mainly bottom-line optimization in various fresh categories such as 4th gamma (convenience) and poultry; main improvement levers included:

- Assortment rationalization and store operations
- Adjustment of specifications to consumer needs
- Order and delivery cycle optimization
- Strategic sourcing negotiations

**4-12%**  
Improvement  
of net margin

### Northern European grocery retailer

Developed strategy for fresh categories including meat, fish, poultry, and deli or convenience along entire value chain; main improvement levers included:

- New in-store concept and operating model
- Development of coherent brand architecture
- Strategic alliance with key supplier

**4%**  
Sales increase  
**5%**  
Improvement of net margin

### Western European grocery retailer

Conducted value chain optimization of fresh categories (for example, red meat, bakery, convenience, fruit and vegetables) with clear bottom-line focus; main improvement levers included:

- Adaptation of make vs. buy models to category dynamics
- Optimization of logistics and supply chain management (for example, implementation of cross-dock operations)

**2-8%**  
Improvement of  
net margin

## **Win in Fresh** list of previously optimized categories



**Meat**

**Fish**

**Poultry**

**Cheese**

**Bread**

**Dairy**

**Ready-to-eat convenience**

**Ready-to-cook convenience**

**Fruits**

**Vegetables**

**Flowers**



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