



Delivering Solutions

Reaching across aisles to satisfy shopper need states is the way to boost center store.

By Jim Dudlicek

Grocery retailers and industry analysts alike say the fresh perimeter exhibits the strongest continuing growth, but where does that leave center store? Fewer and fewer consumers are shopping both the perimeter and center store — currently only 43 percent, noted John Rand, SVP of retail insights at Boston-based Kantar Retail, in his presentation at the recent 2015 Annual Meat Conference.

According to *PG's* own survey of grocery retailers, fully explored in our 82nd Annual Report of the Grocery Industry in this issue, center store is the eighth-highest sales-generating department in the store, down from second a year ago, on a list led by meat, produce and frozen foods.

Both Rand and Sherry Frey, SVP at The Nielsen Co., in Schaumburg, Ill., assert that fresh and center store categories must be cross-merchandised to deliver meal solutions for shoppers. “Competition and partnerships hinge

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—Richard Meyerkopf, Hannaford

on connections across aisles,” said Frey, also speaking at the Meat Conference. That means “thinking differently on how to merchandise the store,” Frey said. “If you’re not willing to think differently and get creative, you’re vulnerable.”

That vulnerability can be overcome by marketing solutions, rather than isolated ingredients, to address need states in demand by consumers. Meals that deliver on convenience, great taste, ease of preparation and solid nutritional profiles allow busy shoppers to put dinner on the family table with as much ease as going through the fast-food drive-through, but without the guilt.

Moving center store out of the shadows and demonstrating how it’s an essential partner to fresh and other categories will boost excitement and basket rings for key consumer age groups, and help elevate the category from the “chore” status it holds as part of the shopper experience.

Wants and Needs

“It’s important to have equal passion for center store as fresh,” says Richard Meyerkopf, VP of merchandising at Scarborough, Maine-based supermarket chain Hannaford. “Different consumers have a variety of needs and wants, and a lot of those needs and wants have center store solutions for them. My job is to ensure we are moving in sync with our primary customers.”

In center store, Meyerkopf tells *PG*, that means knowing what categories matter most, and then ensuring the assortment, merchandising, price, promotion, display and fixtures all deliver a strong impression and experience. “Skate to where the customer is going and you will be rewarded,” he says. “Center store may not have the same glamour that fresh has, but there are great opportunities when properly mined.”

Gordon Wade, SVP for best practices at the Wimberley, Texas-based Category Management



Association, describes the reasons for center store’s malaise as “numerous and complex, therefore no one magic prescription will solve the sickness.”

Wade looks to The Kroger Co., based in Cincinnati, and its seemingly perpetual same-store sales gains as a best-practice beacon. “In my judgment, they are leveraging their loyalty card data to identify the categories and shopper cohorts where they are underperforming, and designing programs to capture the profit pools among shoppers in the store but less loyal in category X,” he says.

Wade points to a recent VideoMining shopper behavior study that tracked consumers’ actual movements through a supermarket. “This work suggests that specific category end cap choices will enhance center store traffic,” he says, urging that retailers “should jump on this learning because it is something they can do immediately with little or no additional expense or labor.”

Further, Wade recommends leveraging categories with high household penetration and frequent purchase, particularly dairy: “Numerous studies indicate that cross-merchandising with milk drives shoppers into the middle of the store.”

Ultimately, Wade asserts, retailers need to truly understand the “problem” categories in center store, “those where shoppers are satisfying a low percentage of their need in my store, and then design programs with vendors to recapture this volume.”

Understanding Shoppers

Making center store more shopper-friendly is a common goal of retailers and CPG companies.

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nine Shearer, VP for category advisory services at the Atlanta-based Coca-Cola Co. “Much has changed in the decades since this original center store design was conceived. Not only has shopper behavior changed, but our depth of understanding of shoppers and their behavior has also grown tremendously.”

According to Shearer, understanding behavioral, emotional and functional insights helps retailers and CPG companies focus on solutions that can drive more traffic, transactions and conversion, while improving shopability; connect with shoppers’ motivations, needs and occasions; help shoppers better navigate the aisle to locate their preferred brands; and optimize shelf sets by understanding how shoppers visually navigate the shelf.

Adding excitement to the center store often means staying on trend and flexing merchandising space to reflect growing categories.

“Brick-and-mortar retailers sometimes struggle with getting ahead of these growing categories, and as a result, merchandising space can often lag behind the trends,” says Nicole O’Connor, director of category and shopper solutions for Stamford, Conn.-based Nestlé Waters. “We have seen successful retailers add excitement to center store by identifying trending categories whose growth is driven by macro-trends (i.e., health and wellness or demographics). They watch these trends and have the confidence to add space and assortment just ahead of demand.”

Northfield, Ill.-based Kraft Foods Group has developed an action plan for center store focused

five key areas: shopper insights, category basics, space management, aisle/total store and “more on the floor,” or leveraging modular shipper displays to sell more products.

Further, retailers should modify their store layouts according to evolving shopper navigation principles “to convert shoppers to buyers,” according to Art Sebastian, Kraft VP of category leadership and shopper insights, in a recent presentation to the Wisconsin Grocers Association. As envisioned by Kraft, a reimagined center store creates new aisles focusing on specific need states such as meal solutions, a dinner aisle, protein snacking, a coffee aisle or front end solutions.

Crossing Categories

Michael Ganey, VP of marketing at Four Oaks, N.C.-based baking mix maker House-Autry Mills, suggests promoting “go-with” items across categories — for example, bacon and eggs, cooking oils with fried foods, and fruit with cereals.

“A compelling in-store signage program is needed to connect center store with the fresh perimeter via ‘healthy eating’ messages,” Ganey says, “and direct suggestions to add fruits and veggies to all meals using easy-to-prepare center store items.”

House-Autry Mills is developing load-to-card and IRC cross-coupons programs to tie its products to related purchase items. “It is important to provide the consumer a look at a complete meal, and cross-promotions can accomplish that,” Ganey asserts.



Revitalizing Center Store With Natural and Organic

By Daniel Lohman



Consumers are continually looking for solutions to improve their health and vitality. You can't turn on the TV, listen to the radio or read anything today without seeing a story focused on improving health. Some of the stories discuss things we should avoid, while the majority are about healthier trends, for example, lowering sodium and sugar consumption.

Natural and organic solutions are fueling these conversations and are at the heart of the trends of growing sales of natural/better-for-you products. Core natural consumers carefully read labels and are better educated about nutrition than most shoppers. They're happy to pay a premium for products that deliver exceptional value and fully meet their needs.

The natural channel is growing at more than twice the pace of conventional. Natural product innovation comes from disruptive brands laser-focused on providing solutions that meet and exceed consumers' needs and wants. Natural products are responsible for developing entirely new categories like gluten-free, vegan, clean label and organic. These shopper need states fuel natural product innovation.

How does this strategy work and why does it matter? Integrating natural and organic products side by side with other items invites consumers to try new and different things, products that meet specific needs. For example, shoppers might consider a gluten-free pasta alternative like quinoa, rice or chickpea noodles instead of processed pasta made with wheat flour. This strategy matters because it capitalizes on better-for-you trends that bring incremental sales growth to the pasta category. The other benefit is that the retailer now has a richer selection that caters to consumers with specific needs like food allergies, or those who want clean-label products.

Quality natural and organic products can be found in almost every category. They support every meal occasion (breakfast, lunch, dinner and snacks). One key aspect of natural and organic products that's frequently overlooked is their true value. While they're typically higher-priced, they provide better nutrition and are often more satisfying, so consumers tend to eat less of them.

For example, a sandwich made of cheap white bread may sustain you for a couple of hours, while the same sandwich filling on high-quality gluten-free bread will fill you up for a longer period because it better meets your body's nutritional needs. In addition, the gluten-free product provides better overall nourishment to those with gluten sensitivity. In this example, the better-quality bread may prove to be less expensive in the long run.

Retailers looking to compete more effectively in any channel and in any economy need to remain dedicated to meeting their shoppers' needs. There are a lot of untapped opportunities to grow center store sales and make shopping there an adventure. Natural products provide an excellent way to drive shopper foot traffic and grow sustainable sales at retail.

Coca-Cola has been working with some of its retail partners on a beverage aisle reinvention project, Shearer notes. "The principles of category management have been critical in understanding the right assortment based on shopper demographics and key beverage occasions, as well as the right merchandising and in-aisle messaging to maximize shopper engagement," she says. "This work has driven positive results in terms of purchase incidence and basket size."

And, with more than a quarter of trips lasting 10 minutes or less, putting even more pressure on center store, basket analysis helps retailers identify logical product adjacencies to create more convenient solutions for shoppers.

"Additionally, neuroscience research has shown that purchase incidence is higher when complementary items are co-merchandised, for example, snacks and beverages," Shearer says. "In the future, if stores are designed to meet the needs of the shopper, then we will see less of a clear delineation between perimeter and center store, and will see more of a store-within-a-store concept where visual beacons communicate logical clusters of products."

At Nestlé Waters, opportunities abound in a variety of consumer occasions and shopper cross-purchasing dynamics.

"Our imported sparkling water brand, S. Pellegrino, has very high affinities with perimeter categories," O'Connor says. "S. Pellegrino appeals to the foodie who enjoys at-home entertaining. It most frequently shares a basket with specialty cheeses, specialty crackers, and organic fruits and vegetables. Offering a premium sparkling water alongside perimeter categories, or suggesting the addition of a sparkling water to a specialty cheese purchase, is an example of how you can connect the perimeter to center store in a shopper-relevant way."

Nestlé Waters is partnering with retailers to re-examine total beverage space. "By reallocating space from declining beverage categories to higher-ring or higher-margin categories like still and sparkling bottled water, retailers are able to improve basket ring and profitability," O'Connor says.

The brand also is collaborating with retailers to promote sales of singles on premium items. For example, S. Pellegrino Sparkling Fruit Beverage (SFB), sold in a 6-pack, typically retails for about \$4.99, a price that O'Connor says may be a barrier to putting it in the cart. "We have worked with retailers to authorize sales of the single cans that retail for \$1 each, effectively a 20 percent premium to the 6-pack. The results have been tremendous," she says — an eightfold increase on total S. Pellegrino sales, with shoppers returning to purchase 6-packs at a rate of three times more than before the promo, at full price. "The 6-packs become a value to the single-can purchase, and adding \$5 to a cart is substantial."

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Crafting a New Center Store

What does the future hold for category management in center store?

“We believe retailers must constantly redefine their categories in the same ways shoppers define categories,” says Ganey, of House-Autry Mills. “Simply because particular products have similar physical characteristics does not mean it matches up with consumer perceptions. Dedicated gluten-free sections are a good example. We are launching a line of gluten-free baking mixes, and retailers are split on placing them either in line or in a dedicated section. Sales would seem to indicate the latter creates the best opportunity for a sale.”

Coke’s Shearer says category management will become ever more critical in understanding and optimizing center store. “The key to the future will be ensuring not only a complete understanding of the four Ps — product, place, price and promotion — but also the fifth P of ‘people,’ or shoppers, which underpins every insight and recommendation,” she says. “Finally, being able to effectively segment stores so that the offering in each store exactly matches the needs of the shoppers in that specific store is critical. Optimizing assortment, pricing, merchandising and marketing in this way will enable our retail partners

to maximize their sales and profits.”

Nestlé Waters’ O’Connor notes that health-and-wellness trends, coupled with e-commerce growth, will put more pressure on retailers to “revolutionize” the center store. “We believe that shoppers will come to expect the product selection and assortment in the center store to become as healthy and natural as what they demand from items around the perimeter,” she says. “How can we reinforce the healthfulness and naturalness of center store items to improve the perception of center store?”

According to Hannaford’s Meyerkopf, adding general merchandise to displays makes a lot of sense, giving as an example another retailer’s display featuring vegetable steamers in the produce department. “That’s not driving them down the aisle, though,” he cautions. “I don’t think the answer is through fresh. It’s going to be through relevance and drawing power of the category, by assortment, price, brands, flavors, merchandising, décor and store design.” **PG**

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