

Front and Center

GROCCERS AND OTHER FOOD INDUSTRY FIGURES CONTEMPLATE THE FUTURE OF CENTER STORE.

By Lynn Petrak



If a grocery store layout is like a geometry problem, solving for the perimeter seems to be more important than focusing on the midpoint. Indeed, the right angle for grocers when it comes to floor and shelf design may be less about the center store and more about the area around it.

While retailers, CPGs and other suppliers and industry experts aren't in lockstep yet on how to address this issue, they do agree that there will be changes to the center store as consumers shop more fresh and perishable items and as e-commerce, from a grocer's or other site, continues to grow.

"Here's what we know: There are categories in the center that aren't being shopped anymore, yet we are still building them and putting them in," points out Bill Bishop, chief architect and co-founder of Brick Meets Click, in Barrington, Ill. "You have circumstances where significant blocks of the center ... are functionally not being shopped."

John A. Clevenger, SVP and managing director, strategic advisors for Acosta Sales and Marketing, in Weston, Conn., notes that what to do with the center store is, in fact, front and center among grocers.

"Shrinking center store — and guidance on how to manage the change — is a very hot topic among our clients, including manufacturers and retailers, right now," affirms Clevenger. "In addition to the longstanding shift of space to the perimeter to accommodate fresh as well as prepared foods, we also see

Key Takeaways

- ▶ The shrinking center store is a hot topic, with varying strategies for managing the change.
- ▶ Strategies to reinvigorate the section include developing innovative smaller formats, rationalizing SKUs, leveraging e-commerce and increasing the experiential aspects of in-store shopping.
- ▶ Developing an internal plan, incremental testing and collaboration are necessary to proceed with a center store reset.



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Making center store aisles a destination through a unique product mix and special events is one way to reinvigorate that part of the store. Wegmans Food Markets, for example, offers samples in its international food aisles.

retailers trying to increase back-store space as staging areas for click-and-collect. Add to that the trend towards smaller stores overall, and you have a lot of pinching of center store space.”

As a result of discussions about reformatting or cutting center store, there are a lot of thinking caps being put on as 2019 looms on the horizon. “Yes, a holistic reconsideration is required. Rethinking the entire store format with an emphasis on center store is mandatory,” says Steven Duffy, VP of grocery, for Boston-based Cuhaci & Peterson Architects, Engineers and Planners, who cites a range of marketplace drivers that have affected center store appeal and purchases.

“The center of store as a percentage of store sales continues to erode based on the drivers of change,” adds Duffy. “These factors necessitate a new format driven by technological transformation as well as leveraging and responding to the

Leading
food brands
make excellent
decisions.

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—Bill Bishop, Brick Meets Click

convergence of marketplace change drivers.”

So what, exactly, would that new approach — and store format — look like? As with other aspects of the industry, there’s no one answer, which opens the door to various innovations.

From Starting Over to Scaling Down

One school of thought has the entire store format essentially starting again from scratch. In this scenario, a store would be laid out by shopper-driven solutions such as fresh products, prepared foods and pantry staples, instead of the traditional perimeter/center store format.

This type of format has been effective for retailers that have



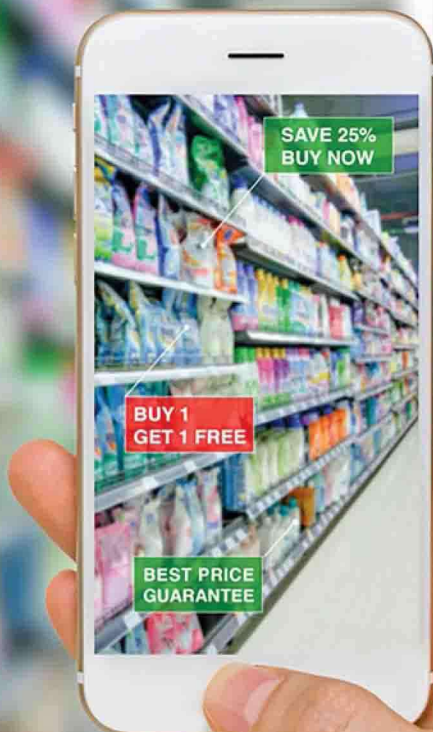
A virtual assistant, which can provide offers that pop up on customers' phones as they shop, is a tool to engage consumers when they're in or near the center store.

made a name for themselves with fresh and often specialty and prepared foods. Fresh Thyme Farmers Market, based in Downers Grove, Ill., is one example. “We’ve intentionally kept the store format small so it’s easy to navigate and is approachable for our consumer,” explains Mark Doiron, Fresh Thyme’s chief merchandising and marketing officer. “The warm, bright lights and colors and lower gondalas add an ease and a welcoming feel to the shopping experience.”

According to Doiron, the layout directly correlates with shopper interests and demands. “Our consumers want to incorporate more fresh produce and less-processed items into their diets, and they know the good stuff is on the outer edges and in the center of the store,” he says. “The bonus with our stores is that 60 percent of our store’s footprint is fresh, and that we carry a very wide variety of natural, organic and healthier-for-you products down our aisles.”

Such formats may run into challenges in existing stores, though. “‘Blowing up’ the conventional format is viable when implementing a ground-up store or in high-sales-volume markets,” observes Cuhaci & Peterson’s Duffy. “However, the core challenge is how to implement an entirely new format within existing chains ranging from large to small and independent stores.” He notes that stores facing hurdles in center store may not be able to feasibly start over, but can benefit from new thinking that emphasizes fresh and experiential environments.

Another approach is to build smaller physical stores that



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provide necessities and creative food and lifestyle solutions, with an ecommerce counterbalance. Grand Rapids, Mich.-based Meijer, for example, recently opened a new small-format grocery store in its home city; the 37,000-square-foot location offers fewer selections within categories, focuses on fresh and locally sourced foods, and sells baked goods from nearby bakeries, all in a self-checkout format.

“Small is the new big,” asserts Duffy. Shopping within a 30,000-square-foot-or-smaller store addresses the easy-in/easy-out demand from consumers, he says, while opening up excess square footage to be devoted to functions like in-store mini-distribution. That works for chains that can use some stores as micro-fulfillment hubs and for independents that need



Fresh Thyme Farmers Market keeps its center store smaller and more approachable through less linear displays with such features as bulk-product barrels.

to cut space to stay competitive.

Duffy cites Sodano's, a Hispanic grocer in the Miami market that has teamed up with a robotic e-grocery company called Takeoff to implement micro-fulfillment within its stores. "This commitment will drive convenience and help differentiate their market position," he predicts.

A more tempered approach, in which the center store is scaled down after viable product and purchase analyses, likely will become more common. Some stores may choose to eliminate certain products and categories altogether, like pet food or personal care, while others may carry those items only in their online inventories.

At Chicago-based market research firm IRI, SVP of Strategic Accounts Chris DuBois says that the industry has been talking about the disappearing center store for a long time now, and that the reality is closer to that measured approach noted above.

"We see prepared foods and value-added products continue to expand. It gets more space, but isn't taking over the whole store," he says, adding that the contraction effect comes into play in center store packaged foods with fewer SKUs, which affects players that aren't the top brands in certain segments. "In the past, a brand like that could buy shelf space, but in the in future, they may not be as visible. Ecommerce is shaking thing up as well."

To that point, ecommerce has both spurred and allowed for that change to center store. "An analogy for the center of the store of today is that it's now forced to go on an ecommerce 'diet,'" remarks Duffy. "The conventional grocery median building-area size today is 41,000 square feet, contracting for the last 15 years by approximately 20 percent, while food market share has decreased by 50 percent since 1990."

Brick Meets Click's Bishop agrees that SKUs in center store are being offloaded to ecommerce. "You need to figure out a way for the center store to have an 'endless aisle' component to it, so the customer has a chance to shop from a range of products that is substantially larger than a physical store can accommodate," he notes.

Meanwhile, to reinvigorate the center store, grocers must attract consumers to aisles that contain a variety of ingredients and staples.

According to Acosta's Clevenger, retailers recognize why shoppers visit brick-and-mortar stores for experiences such as immediate gratification, experiential

shopping and expert advice. "They are responding with their full toolbox in select parts of center store, including increased assortments, solution-based displays, secondary merchandising, sampling, seminars, increased usage of educational signage, and more staffing," he says, noting that Keasbey, N.J. -

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based Wakefern Food Corp., for instance, has placed beauty consultants in select stores to help shoppers select and use higher-end cosmetics.

Technology is also pivotal in enhancing the center store experience and, ultimately, satisfaction. “Consumers can get a personalized promotion in the store — when you are walking down that aisle in the center store, you get a promotion designed for you,” observes Bishop. “We’re on the edge of that, and it will take people to an experiential level.”

Creating Change

When making any fundamental changes to store layout and product selection, Duffy advises a thoughtful mindset, adding that incremental testing is important in building a successful transformation.

Partnerships with CPG companies are also important to revamping center store, where brands play a key role, and finally, while the pace of change is rapid and definite, that doesn’t mean that consumers will never want items found in the center store. In fact, many prefer options when shopping in a physical store, so be cautious when cutting SKUs. **PG**



A display of natural bath products at Wegmans encourages touch and smell — mirroring the approach used by Lush, the upscale mall chain.