



# The Center Can Hold

Grocers must embrace new ideas to save the section from irrelevance.

By Bridget Goldschmidt

**W**e've all read the obituaries for center store: As the perimeter sections grow ever more important, the core grocery categories wither and die. But has the final curtain really rung down on the section?

"We often hear that the center of store is dead or isn't growing, especially as consumers shift their dollars to perimeter areas," says Carman Alison, VP consumer insights, North America at Schaumburg, Ill.-based Nielsen, which recently released a

report, "Reinvigorating the Center of the Store," with the aim of correcting the perception that the department is in terminal decline. "However, the demise of center of store may be grossly overstated."

As Alison points out: "Today's consumers are changing how they eat and also changing how they shop, which is impacting center-of-store trends. Over the past five years, center of store has actually brought in an additional \$31.5 billion in sales. The compound annual growth rate is 2.2 percent. While not growing as fast as perimeter, the growth is still occurring."



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**Challenges to Overcome**

Although things may not be as dire as reported, center store certainly has its share of serious challenges to overcome. For instance, according to Nielsen's report, consumers' ongoing need for convenient and better-for-you options, a shift to nonstatic mealtimes no longer eaten exclusively in the home and shoppers' greater propensity for substituting snacks for meals are having a profound impact on the department.

Among center store's additional issues, David Feit, VP of strategic insights at The Hartman Group, in Bellevue, Wash., notes that “[f]rozen and refrigerated categories outperform shelf-stable areas; ... [b]rands hold less sway than specific markers of quality, and these are often in tension with the conventional strengths of shelf-stable packaged goods; ... [and] in cases where CPG brands are actually strong enough to drive loyalty, shoppers know that these are exactly the brands they can get anywhere, including mass, club and e-commerce channels.”

Continues Feit: “Together, these trends will pressure center store to shrink its real estate, probably to rationalize its SKUs, with more reliance on

private label, and also to innovate to engage shopper interest. In short, center store real estate will be challenged to make itself more productive, or, in any case, to maintain its historical productivity.”

“Supermarkets have a long history of accepting fees and relying on supplier marketing programs to support carrying large numbers of SKUs, many of which are insufficiently differentiated,” observes John Rand, SVP market insights at Wilton, Conn.-based Kantar Retail. “This has created a store more difficult to shop and more unreliable for value, due to promotional variability.”

According to Rand, the result of this state of affairs is “high levels of inventory combined with low average turns, which limits profitability. But more importantly, it has turned a lot of shoppers away from the center store; [they prefer] to go ... where shopping is simpler and prices more dependable and less various. Our shopper data shows an increasing number of shoppers who shop the perimeter almost exclusively, and shop center rarely, if at all.”

Noting the key trends of fewer stock-up mission trips and more small-basket trips as shoppers demand grab-and-go meal and snack solutions,

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—Pam Basciani,  
The Coca-Cola Co.

## The Center Store in 10 Years

As supermarket operators work to retool the center store to better align with consumer trends, what will the average section look like in 10 years' time? One thing is certain: It will be different.

“Given the growth of e-commerce in conjunction with small-store formats like drug, convenience and value, the supermarket channel will continue to evolve its proposition to meet shoppers' needs,” affirms Pam Basciani, group director for large-store channel planning and development at the Coca-Cola Co., in Atlanta. “The industry is at a critical point in which it needs to clearly change the way it presents center store in order to arrest the continued decline of sales from this area.”

One likely approach Basciani envisions is “for retailers to take cues from the perimeter in terms of design, lighting, layout and merchandising. More and more shoppers today find the perimeter more engaging. Therefore, the challenge is to apply learnings from the perimeter to the future of center store. We see less pressure on maximizing inventory and more focus on delivering an experience that will draw shoppers into this part of the store and will distinguish supermarkets from other channels.”

Although she expects that execution “will vary by retailer ... [Coca-Cola is]

excited about the opportunity that this presents to the channel and feel[s] that retailers that are open to explore new approaches and drive a ‘test-and-learn’ process based on shopper insights will emerge as winners.”

Indeed, individuality looks to be the wave of the future. As far as John Rand, SVP market insights at Wilton, Conn.-based Kantar Retail, is concerned, center store “will have to be a nicer place, but there is no reason to believe it will always look the same from one retailer to another, or even one banner to another. For stores to be most successful, they need to be far more precise in their shopper targeting — demographically and economically. A value store needs to be and should be presented differently from a premium store. What will

not work is the ‘muddy middle’ of trying to be everything, to everyone, everywhere.”

That unique touch should extend even to center store technology. Notes Rand: “I expect far more integrated technology, not necessarily always visible to shoppers, but integrated into all phases of operations and logistics. The Internet of Things has a lot of promise for the future store. ... And the best retailers will use the technology to invest in better, more effective personal interactions with shoppers — because in the end, the store has to be an experience, not a warehouse.”







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The Hartman Group

consumer demand for fresh food, and the continuing pressure on time, which increases the need for convenient and ready-to-eat solutions, Pam Basciani, group director for large-store channel planning and development at the Coca-Cola Co., in Atlanta, goes on to say that “shopper habits differ by lifecycle. Millennials want things fresh and fast. Boomers, on the other hand, want things fresh, in portions to meet their household needs, and they value the convenience of not preparing meals from scratch. Gen X shoppers, who are often building a family, are on a budget and need to engage center store to meet their household needs.”

That being the case, she posits, “The challenge is to increase the engagement of center store; to educate shoppers on the offerings available in center store to meet their needs of fresh, convenient solutions; and to offer new items and experiences to keep them coming back.”

### Supplying Solutions

Given these challenges, supermarkets should reimagine the center store as a destination designed to meet consumers’ most pressing needs.

To ensure the department’s continued growth, Nielsen’s report recommends that retailers reach out to increasingly diverse shoppers in new locations with appropriate products, reassess promotional strategies, and identify potential opportunities and partnerships that could help drive sales.

Meanwhile, Boston-based L.E.K. Consulting, in a recent white paper, “Grocers: How the Center Store Can Recapture Center Stage,” advises supermarket operators, pummeled by rising competition from mass marketers and e-commerce sites, to follow the example of a successful non-grocery player, which was able to survive — and thrive — by reinventing itself.

“More innovative grocers are following ap-

proaches similar to Best Buy’s,” write L.E.K. Managing Partners Chris Randall and Alan Lewis. “For example, Wegmans has explored concept evolutions, such as converting some of its center stores into upscale nonfood departments. Another obvious success story has been how Whole Foods Market gradually expanded its foodservice and fresh product offering to take over more of its stores.”

Add Randall and Lewis: “Recognizing that your consumers are on a journey is essential to winning in grocery retail today. The modern consumer, with ever-increasing options to execute purchases across categories from the comfort of their living room, bedroom or bus seat, needs a real reason to step into a real store. To address

changing consumer preferences, grocery stores need to be on that journey, too. The store itself must be a destination, and the experience of being in the store has to provide value in and of itself.”

Accordingly, the authors recommend that grocers rethink their layouts; merchandise and market solutions, not products; eliminate wasteful inventory investment; and provide valued services.

“Some stores will integrate [the] fresh perimeter into the aisles, with refrigerated and fresh produce interspersed to suggest meal solutions,” notes Hartman’s Feit, offering additional ways to innovate. “Some stores will find ways to use digital technology to integrate more layers of customized information into the shopping experience, and there seems to be more possibility in center store than elsewhere for some of these innovations. And finally, some stores will showcase new food attributes and make center store a place for their shoppers to discover new experiences among emerging premium items and distinctions. Today, this approach is mostly confined to up-market, fresh-focused banners, but tomorrow it may become the new norm and large chains find ways to do this well at scale.”

“The conventional supermarket center store is what we might describe as efficiently dull,” asserts Kantar’s Rand. “If we want to get a better experience, we have to open it up to being a better visual environment, to be a better merchandising platform again. The comparison between center store and the dramatically superior presentation on the perimeter is quite stark.”

Not all mainstream center stores are so dull, however. “I have noticed how Kroger is able to use space in their large Marketplace stores far more effectively and dramatically, tying items from different parts of the store together, such as appropriate GM cross-merchandising,” he points out. “I have seen and admired the increasing number of stores



around the country that are integrating [the] chilled section into center store aisles and end caps. I have seen thematic end aisle displays that demonstrate artistic merchandising with flair. I have also noticed how exceptionally rare they can be.”

To make sure center store remains meaningful, Rand insists: “Better and more creative uses of space and lighting will be needed to highlight and draw shopper attention. Shelves need to communicate ‘better’ to shoppers — here again, Kroger is experimenting at the front of the industry. And good retailers are beginning to realize that the center store is not just competing with other center store offers — it competes for the attention of a generation that finds online shopping to be convenient, informative and reliable. If the store is not a better experience than a website is easy, it isn’t good enough.”

Naturally enough, CPG companies are well placed to offer hands-on assistance to grocers eager to improve their center stores. “We are currently working with retailers to increase the engagement of beverages in center store,” says Coca-Cola’s Basciani. “This initiative leverages insights as to how shoppers shop the store, how they buy beverages and what the barriers are today that prevent them from coming

down the aisle. We are partnering with retailers to implement new ways to organize the category to make it easier for shoppers to find what they are looking for — be it their favorite brands and packages or new propositions available in the market.”

The initiative consists of two key elements: the aisle itself and the end cap. “Our research findings on center store have highlighted the importance of the end cap in engaging perimeter shoppers,” explains Basciani. “Therefore, our strategy is to modify our approach to activate these two points of inspiration to engage shoppers more effectively and increase beverage conversion with our customers.”

Coca-Cola’s research has uncovered that “shoppers have four primary demands of retailers: save them time, make it quick and easy to find things in the store, help them get what they want, and give them ideas for meals, snacks and more,” she notes. “Meeting these evolving expectations will require a variety of tactics that assume a comprehensive view and understanding of the shopper experience. For one, we see the opportunity to evolve the way we present beverages in center store, based on how the shoppers shop for beverages, creating a more compelling and rewarding experience for consumers and retailers alike.” **PG**

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