Take the snore out of center store

Grocery retailers could breathe new life into center store by transforming the area to address consumers' issues and challenges.

By Kathie Canning

There has been much talk in recent years about the decline of grocery's center store, as consumers increasingly gravitate toward the store perimeter.

The store perimeter offers meal components and meal solutions — including fruit and vegetables, dairy products and proteins — that mesh with consumers' desire to eat more healthily, notes Susan Viamari, vice president of thought leadership for Information Resources Inc., a Chicago-based market research firm.

The "perimeter is also home to value-added meat — fresh meat items in the service meat case or overwrapped meat case that have at least one step of further preparation," she says. "Value-added meat is experiencing strong growth, 7.9 percent in 2014, as consumers look for quick and easy mealtime solutions."

In addition to having a health halo, the perimeter connects with consumers' desire for "fresh" offerings, says Chris Randall, managing director and partner in the Retail & Consumer Products practice of L.E.K. Consulting, Boston.

But center store still delivers more than 73 percent of a typical store's true profit, according to the most recent "Total Store SuperStudy" from the Long Grove, Ill.-based Willard Bishop retail consultancy.

Grocery retailers that gain an understanding of consumers' current issues and challenges related to center store will be able to transform this valuable piece of real estate — and the store brand products within it — into a more profitable operation.

They have issues

When it comes to the traditional center store, today's consumers could voice plenty of complaints. And one of them isn't necessarily rooted in reality — that items situated within the center of the store are somehow less healthful than those housed within the store's perimeter.

"The biggest challenge for center store is related to the perception of 'unnatural' or 'unhealthy' with consumers," Randall says. "Historically, the consumer has been trained to associate the shelf-stable center-store products with added preservatives, salt and other unnatural ingredients — the home of processed foods," he notes.

Jim Hertel, managing partner with Willard Bishop, agrees.

"Many processed foods have fallen out of favor with shoppers for health and wellness reasons," he adds, "and fresh foods are considered to be better for you."

Another big issue consumers have with center store is that its categories can be difficult to shop, Randall states. Consumers often face an abundance of choices, and their points of differentiation often are not clear.

"The modern consumer is no longer attuned to the self-guided 'research' work that a center-store format requires," adds Alan Lewis, managing director and partner in the Retail & Consumer Products practice of L.E.K. Consulting. "Modern consumers expect solutions to be presented to them; they want to be able to plug their need into a search bar or ask Siri."

A one-size-fits-all approach to the center-store product assortment also can be problematic in consumers' eyes. As Randall points out, the amount of product a shopper requires or the type of meal he or she plans to create varies widely based on household size and other factors.

"A lot of products in center store are kind of geared to the 1980s family, which is a husband, wife and two kids," he notes. "Today, more families are single-parent households or have fewer kids or no kids or even just a single person. So that 28-ounce can doesn't necessarily serve the needs of all of those consumers anymore."

Adding to the problem is a tendency on the part of retailers to treat center-store products as commodities, Hertel says.

Moreover, many of today's consumers are looking to reduce their grocery basket size, and this reality is adversely impacting center store, Viamari notes. They are changing the path they take through the store to cut back on impulse or excess purchases, visiting only those aisles housing planned purchases.

"Perimeter is less impacted by this streamlining," she explains, "since it is home to many of the 'basics' in most meal occasions."

Transform the experience

Retailers could win shoppers back to center store by transforming the center-store experience to address the greatest issues and challenges.

Better signage is a good starting point, Randall says. That signage should make it easy for shoppers to understand the points of differentiation among products "at a glance."

"Modern consumers need and expect more help navigating these banks of options," he stresses. "In some categories, winning products are more likely to highlight natural ingredients, a local/fresh story or healthy message; while in others, it might be all about taste."

Another important consideration, Randall points out, is an expansion of packaging sizes. Retailers must carry package sizes that "best align with the consumer journey related to that category," creating differentiation via more convenience for the consumer.

Center store's layout also begs for a transformation. The "racetrack" format of the perimeter puts an emphasis on that area of the store, Lewis notes, so retailers need to examine what makes that configuration so successful. He advises them to figure out how they could make center store "more like a set of event- or room-based departments" instead of the cereal aisle, the soup aisle, etc. A focus on experiential selling when reorganizing the center store will help draw consumers in.

And placement of center-store products need not be limited to center store. Randall suggests retailers consider "thoughtful placement" of certain products among relevant perimeter areas to drive trial and increase basket ring.

"The critical point here is to ensure the featured product logically fits with the perimeter item," he says. "Often we find the best dimension here is to think through meal occasions and the overall consumer food journey."

Viamari agrees that cross-merchandising center-store products with products outside of their home base is critical, especially considering the "abbreviated path" many of today's shoppers are taking through the store.

"Think end caps, special displays, etc.," she advises. "These strategies cannot be stagnant — the path will change based on many factors, including trip mission, day of the week, etc."

Make store brands part of the solution

Retailers also will want to put an emphasis on store brand items in the center-store transformation.

"Store brands represent an opportunity for retailers to develop unique items that are on trend with today's consumer and are not available anywhere else," Hertel says. "The key for retailers is to innovate as opposed to imitate. Those who innovate well will be rewarded with greater shopper loyalty and expanding margins."

Innovation need not be limited to the products themselves. Retailers have an opportunity to develop for their own brands the unique pack-size solutions today's consumers are seeking, Randall suggests.

Viamari advises retailers to tailor the private brand assortment and merchandising strategy to the "needs and wants of their core shoppers." And assortments should offer "critical price points" in every store operated by a particular retailer.

"For instance, while one store has more high-end shoppers looking for premium private label solutions or name brands, the sister store on the other side of town may need a larger variety of mid- or lower-tier solutions," she says. "Likewise, one store may need more ethnic/diverse flavor profiles, while the other may be more 'vanilla.'" SB