

Blurred lines

RETAIL CATEGORIES BECOMING LESS DEFINED

Retail has come a long way since the days when the general store reigned supreme, branching out into myriad categories of store types. But today, those categories are becoming less defined as retailers strive to meet shopper demand and maintain profitability.

The changes are affecting virtually every category. Among those that are both challenged and enhanced by blurred lines are convenience and grocery.

C-stores, grocery strongly affected

Faced with margin pressures on both gas and cigarettes, among other challenges, the convenience segment has perhaps crossed the most lines. Smart dayparting strategies are enabling C-stores to encroach on the territory of coffee shops, quick-service

restaurants, pizza providers, fast-casual restaurants, and even gift shops. And their fresh, healthy food offerings are giving grocers a run for their money.

On the flip side, other retail categories are stepping into the convenience domain as they add BOPIS, home delivery, small-format stores, and other expressions of convenience.

Supermarkets are facing competition from warehouse clubs, mass-merchant discounters, dollar stores, and C-stores, among others. Drugstores for years have been emphasizing products far beyond prescription and over-the-counter medicine, and grocery has been a growing segment for them.

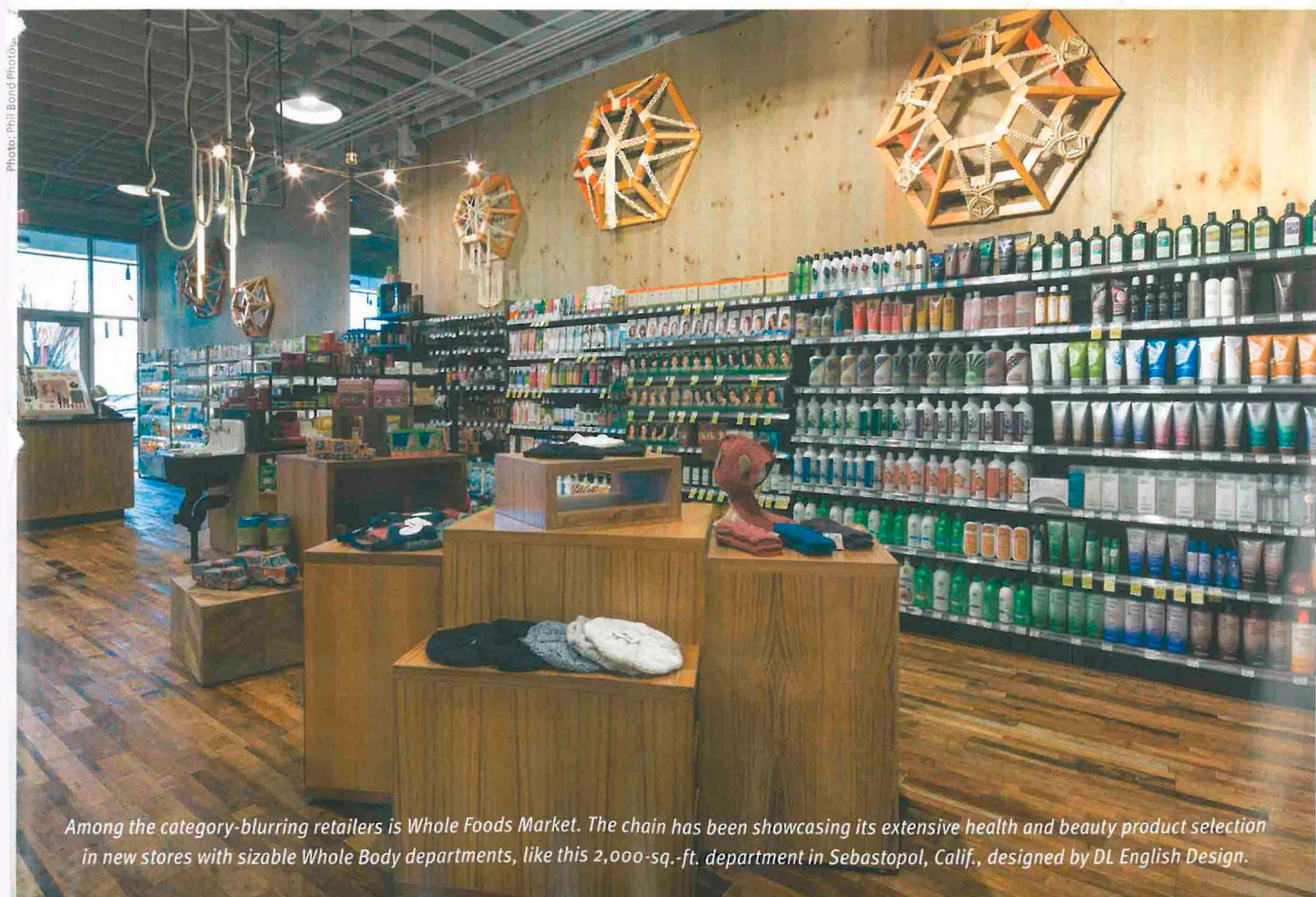
Conversely, supermarkets are sometimes appropriating market share from other categories. Their category-blurring strate-

gies include expanding health and beauty sections, spiffing up restaurant areas, heavily promoting their pharmacies, and adding everything from apparel to concierge services.

Society, brands driving change

In addition to category-specific challenges that force retailers to consider extended offerings, the changes are fueled by technological advancements and consumer demand for convenience, entertainment, and education.

Brands seeking to be perceived as lifestyles also are influencing the blurring of categories. Whether or not they locate another product segment in the same retail space, they are entering additional product and service segments. Witness the Tommy Bahama and Ralph Lauren restaurants, the



Among the category-blurring retailers is Whole Foods Market. The chain has been showcasing its extensive health and beauty product selection in new stores with sizable Whole Body departments, like this 2,000-sq.-ft. department in Sebastopol, Calif., designed by DL English Design.

Red Robin and Wolfgang Puck products in supermarket freezers, and LEGO children's apparel.

In some cases, partnerships are allowing retailers to cross category lines while continuing to focus on their core strengths. A retailer can bring in a shop-in-shop rather than develop expertise in another retail category. The vendor then, rather than have to worry about the retailer cutting into its market share, may even broaden its reach into more neighborhoods. And shoppers gain the convenience of obtaining multiple supplies from the same site. Target recently sold its pharmacies and in-store clinics to CVS.

KRS, A.R.E. | POPAI research trend

King Retail Solutions and A.R.E. | POPAI have delved into the category-blurring phenomenon in KRS' third annual Consumer Insights Survey, which polled some 1,200 U.S. consumers from multiple generations. The report reveals that not only would an

overwhelming majority purchase goods and services from nontraditional venues, but many of them already have. In the past 12 months:

- 65% bought groceries from a nongrocer.
- 64% bought fresh meals from a nonrestaurant.
- 50% bought special-occasion purchases from a shop other than a florist, card shop, or party-supply store.
- 49% bought apparel from a non-clothier.
- 45% bought restaurant-branded products from another location.
- 40% bought a service from a non-service provider.

See the full report inserted between pages 24 and 25 in this issue of *Retail Environments*. For analysis of this report, plan to attend the A.R.E. | POPAI-sponsored GlobalShop session "Category Blurring: Shoppers Are Looking Beyond Retail-

BANKS BRANCHING OUT

As technology has eliminated the need for consumers to frequently visit bank branches, financial institutions are changing the nature of their branches. Some of today's banks resemble community centers, coffee shops, cafes, or even gyms. And partnerships are allowing banks to reach customers in spaces such as grocery stores. For a full report on changes to branch strategies, see "Branching Out," *Retail Environments*, March 2015.

ers' Core Competencies—Are You?" on Friday, March 25, from 9 to 10 a.m. Our panel of experts will explore the trend with the audience in a townhall-style meeting. Turn the page for a closer look at one area where category lines are blurring: food and fashion.