



Make the most of the perimeter

Retailers that focus on improving the perimeter shopping experience to be easier and more convenient will gain loyal customers.

By Michal Christine Escobar

In recent years, consumer attitudes in the United States toward packaged food have changed. The center of the store, once known for offering convenient shelf-stable food staples such as cereal and canned vegetables, is no longer as appealing as the fresh produce, dairy, meat, deli and prepared foods sold around the perimeter of the store.

Data from global market researcher Mintel clearly demonstrate this shift in shopping habits, states William Roberts Jr., senior analyst of food and drink, Mintel. For instance, sales for the center store were about \$205 billion in 2015 and are projected to grow to \$216 billion by 2020, amounting to \$11 billion in growth. Perimeter store sales, however, were about \$296 billion in 2014 and are projected to grow to \$346 billion by 2019, amounting to an impressive \$50 billion in growth.

One reason for this shopping shift could be that consumers negatively perceive center store as being filled with junk food, suggests Tim Barrett, retail analyst for London-based Euromonitor International. By avoiding center store, consumers

believe they are better able to avoid temptation and stick to a more healthful diet.

Time — or the lack thereof — could be another reason for this shift, he adds. Consumers tend to want to spend as little time as possible in the grocery store and are beginning to prefer smaller trips to bigger ones.

The push among consumers to purchase locally sourced products could also be pulling consumers away from the center of the store.

“We’ve found that 51 percent of consumers would like to buy locally sourced food whenever possible,” Roberts says. “Locally sourced products reflect the notion of fresher and environmentally friendly products. However, it does not align well with center of store capabilities. Instead, locally sourced products are typically found on the perimeter.”

But center store’s situation isn’t hopeless.

“Center-of-store shopping may be losing share to perimeter shopping,” states Carman Allison, vice president of consumer insights for New York-based Nielsen, “but the demise of center of store is grossly overstated. Over the past five years, center of store has brought in an additional \$31.5

billion in sales with a compounded annual growth rate of 2.2 percent.”

Demographic drivers

So, who is shopping the perimeter most often?

Two consumer powerhouses: millennials and baby boomers, Allison says.

However, each of these groups has a different reason for and way of approaching perimeter shopping. For instance, during the Great Recession, millennials were the first to stop dining out, says Darren Seifer, food and beverage industry analyst for the NPD Group Inc., Port Washington, N.Y. To recreate the restaurant experience — fresh food with some degree of customization — millennials headed to grocery stores and began shopping the perimeter.

And now, according to Nielsen research, 48 percent of millennials shop the perimeter on some or most grocery trips, compared to 36 percent of boomers. However, boomers make approximately 50 percent more trips than millennials, indicating that they are really the big drivers of perimeter sales, Allison says.

One reason for boomers' influence here could be that they have had the time to hone their cooking skills and feel more comfortable preparing fresh foods in the kitchen, Seifer suggests.

But while millennials and boomers both shop the perimeter heavily, the channels in which they shop differ greatly. Older consumers are more likely to shop for fresh items at supermarkets, while younger consumers are more interested in shopping for fresh items at mass merchandise stores. The differing behaviors could indicate that older consumers don't think of mass merchandisers as having fresh options, while younger consumers expect to be able to get fresh items from just about anywhere, Roberts suggests.

Hispanics also are heavy purchasers of perimeter food products. They will typically cook from scratch, with a heavy emphasis on using fresh produce and fresh meat, Seifer says. Plus, Hispanics are very well represented within the millennial generation and are having a “huge influence” on the generation as a whole.

Regardless of age or ethnicity, all three above-mentioned groups prioritize the perimeter for their shopping needs and will not walk up and down every aisle in the grocery store. Instead, they are more likely to have targeted lists, Barrett says. When they do visit center-store aisles, it is to a specific aisle for a specific item. And often those center-store items pair with what they've bought from the perimeter; for example, chips for a freshly made salsa or a staple to flesh out a meal purchased from the deli.

Make it easier, convenient

As more shoppers begin to shop the perimeter

more often and center store less often, retailers might want to rethink product organization within the perimeter. For instance, about 44 percent of consumers believe that supermarkets should reorganize their stores by meal occasion, indicating that consumers are looking for retailers to help ease their trip through the grocery store, Roberts states. While it might not be feasible for retailers to reorganize their whole store, they could merchandise center-store items in convenient locations throughout the perimeter; for example, placing shelf-stable salad dressings next to the produce or marinades and sauces next to the meat counter.

Additionally, retailers could also make it easier for shoppers to use the fresh meat and seafood service counters. Most customers — 82 percent — say they enjoy selecting exactly what they want to purchase, especially at meat and seafood counters, rather than having to pick through packages of meat that have been precut and wrapped, Roberts adds. And when retailers employ knowledgeable staff behind such counters, consumers have a more favorable impression of the store. In fact, 54 percent of consumers regard the staff as an important part of the specialty food counter.

And retailers will want to keep a close eye on how pricing of perimeter items affect shopping habits. For instance, Nielsen data found that as prices jumped at the meat counter, consumption declined, Allison says.

Of course, retailers could capitalize on the perimeter shopping trend by expanding their fresh prepared foods section. As supermarkets become meal destinations, not just ingredient destinations, the idea of a “grocerant” is of more interest to consumers. Not only do fresh prepared foods tie into the consumer's desire for fresh, healthful and convenient meal options, but they also lend themselves to local sourcing, Roberts states. **SB**

