Get *Fresh* at Retail

Fresh food at retail challenges traditional package goods.

Visit any innovative grocery store today, and you'll find it's all about *fresh food*. This won't surprise anyone who's been paying attention to retail trends over the past five or more years. But it should send chills down the spines of traditional brand marketers who continue to develop and promote their branded, packaged products the same old way.

Consider the shopping experience at Whole Foods' 80,000-square-foot flagship store in Austin, Texas — a hugely successful store that is as much a solution-based destination and meeting place as it is a place to shop for groceries. It's a store where consumer packaged goods are an afterthought and brand marketing and innovation have been usurped by the retailer. It gives us a glimpse of the end of consumer packaged-goods (CPG) marketing as we know it.

Of all the new *lifestyle* supermarkets, Whole Foods arguably demonstrates the most significant blurring of the lines between food market, restaurant and retail store. Fresh food is presented as *the hero* throughout the store, with displays touting flavor, healthy and organic. Quality is championed over price and value. High-margin items are cleverly displayed in logical pairings, and numerous food items and meal solutions are prepared before your eyes for your convenience — to take home or eat in the store.

IN-STORE:
More & Less

MORE
- ➜ Shopper solutions
- ➜ Store brands
- ➜ Sampling stations
- ➜ Perishable foods
- ➜ Information

LESS
- ➜ POP clutter
- ➜ Semi-permanent displays
- ➜ Brand/product displays
- ➜ Sweepstakes
- ➜ Couponing

NO BRANDS IN SIGHT

If you agree that I've just described a top-notch shopping experience, then you're probably not a marketer for a consumer packaged-goods company. Why? Because there are no national, branded, consumer packaged-goods featured anywhere. No manufacturer promotions or displays are in sight.

Corrugated? What's that? Pallet promotions? They're not part of this shopping experience. Displays are permanent and are expressions of the brand — Whole Foods — not of any CPG manufacturer.

Brand manufacturers will not find comfort in the notion that this is just one store — and a Whole Foods store, at that — because this type of shopping experience is becoming the norm. A recent tour of 10 innovative retailers revealed the unmistakable fact that today's most progressive supermarkets are turning 15 to 30 percent of their space over to fresh meal solutions, many of which are store-prepared and store-branded.

You might have predicted that progressive retailers like Whole Foods, Wegman's, Stew Leonard's and Ukrop's would be leaders of this trend. And you'd be right. But much the same approach has also taken root among even the more traditional chains such as Safeway, H-E-B, Giant and Kroger.

Even some convenience stores — like Sheetz in Harrisburg, PA and Wawa in Richmond, VA — are going in this direction. And they're doing it by greatly reducing manufacturer brand presence and all but eliminating traditional displays.

A RETAIL EVOLUTION

Food marketing has been an evolutionary tale. From the 1960s through the 1990s, there was a high conversion rate from homemade to commercially made products — a *CPG nirvana* in which brand and sales management were all about brand building, and execution in-store was all about ads, features, reduced prices and displays.

However, since early 2000, there's been an increasingly high conversion rate from commercially made to retailer made — a *CPG nightmare* in which the retailer has emerged as an innovative brand that neither wants nor needs more of the CPG companies' displays, ads or me-too products.

The forces that created this reinvention of retail are well known. The expansion of club stores and Wal-Mart; the consolidation of stores at retail and across channels; the increased demand for meal solutions offered by other stores such as Boston Markets; and a continued consumer focus on health and wellness have all been taking bites out of traditional grocery category sales for the past 10 years.

So, what's the difference between 10 years ago and now?

The difference is that, until recently, most supermarkets hadn't figured out how to turn their stores into shopper destinations for legitimate alternatives to eating at a restaurant or cooking meals at home.

By filling those voids with relevant solutions — by connecting food, physically and emotionally, with what shoppers are looking for — retailers like Whole Foods and Wegman's are not only creating high levels of customer satisfaction and loyalty, they are rebuilding long-term relationships previously lost to big-box stores and clubs.

The difference is that for today's shoppers, these stores stand for quality, convenience *and* value. As one shopper told us, "I can go to the store at 5:00 PM, pick up a complete, great-tasting fresh cooked dinner for my family, and be cleaned up and out of the kitchen by 6:30."

The implications of this trend for consumer packaged-goods marketers cannot be overstated. Unless CPG marketers find new ways to re-establish relevance in stores where fresh, prepared foods reign supreme, they will find their products shunted to the least desirable section of the store, doomed to minimal in-store exposure and lethargic turnover.

Un-Packaging Packaged Goods

To survive in this retailer-controlled space, CPG companies need to change their approach. Call it the *un-packaging of packaged goods*. To un-package their grocery products, brand marketers must figure out how to partner with retailers in ways that make their products fit with the retailer's *fresh* food offerings and meal-solution strategies.

Re-define. Marketers can re-define their space relatively quickly by strategically positioning their products to help retailers make an emotional connection with their shoppers or enhance a strategic solution they already have in place. For example, create product pairings or innovative solutions, (*e.g.*, packaging, size or line extensions) to augment one or more of a retailer's meal solutions.

This could be as easy as merchandising paper, cups, plates and cutlery next to the Chinese smorgasbord at Wegman's; providing informational literature to bring shoppers to targeted products at H-E-B Central Market; replacing corrugated displays in Giant by offering to sponsor their valet parking, cooking school or in-store child-care program; or providing the marinade for the prepared meat at Kroger.

Re-invigorate. The traditional center-of-the-store, where brand marketers' cans, boxes and bags are sold, is clearly in need of some dramatic reformatting. The challenge here is that solutions must be category-driven versus brand self-serving. In large measure, this is what Shopper Marketing is all about — setting aisles and shelves in ways that make it easy for shoppers to find what they want to buy. It's all about creating the same type of experience in the aisle that the retailer has brought to the perimeter.

Re-think. CPG marketers must rethink their strategic approach from traditional tactics of advertising, promotion and loyalty programs to factors affecting in-store *shop-ability*: *product* will be about innovation, assortment and presentation for both customer *and* shopper; *packaging* about function and benefit; *navigational signs* about directions and shopper-relevant categories; *value offerings* about benefits and new ideas; *experience* about convenience and enjoyability; *merchandising* about relevance and connecting with shoppers; and *in-store digital media* about the right message in the right place at the right time to drive sales.

Innovative retailers have already put winning strategies in place. Meal solutions, "fresh" and convenience are connecting emotionally and satisfying real needs with shoppers. Smart marketers are predicting these strategies will have a long run.

With the number of innovative stores continuing to grow, brand marketers who get on board early with *un-packaged solutions* will undoubtedly be the big winners in a radically transformed retail marketplace. ■

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