Going the extra aisle

Driving center of store growth by converting to flexible packaging formats
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Revitalizing interest in the center of store

Today, the center of the store represents about 75% of total grocery sales. It is the heart of the retail experience and drives store profitability. Yet modern shoppers—particularly those 18- to 34-year-olds of the millennial generation—perceive that the store center is unapproachable, unhealthy and unnecessary. This perception puts grocery shopping—and total sales in particular—in jeopardy. So how can grocery stores renew consumer interest beyond the periphery?

In this eBook, we take a look at how forward-thinking CPG marketers are helping retailers protect the center of store margins and even boosting traffic in these vital aisles by redefining the packaging found there. Converting traditional glass jars, tin cans, paperboard and other stale packaging to more flexible, more modern formats is bringing back today’s consumers into the center of the store.

“Revitalizing interest in the center of store”


Reconsidering the in-store investment

Grocery retailers who track their store traffic have surely noted that younger shoppers—the millennials—tend to shop the periphery of the store. So that’s where the main marketing investment is typically made: creating produce and bakery displays, configuring eye-catching end caps, or setting up a variety of self-serve areas.

However, this approach may be short-sighted say experts in the consumer packaged goods area. According to Deanie Elsner, executive vice president and chief marketing officer of Kraft Foods, center of the store is actually the sweet spot for profitability:

“What you need to understand today about the center of the store is that it is tremendously important to the grocery retailer today. Center of the store represents about 75% of total grocery sales, and about 75% of total profit. The perimeter would have to grow by more than 2.5 times to be the size and the scope of what center of the store is today for the retailer. So given the margins and the labor it would take to grow a perimeter, you can understand why the retailer is motivated to reinvent the center of the store.”

Shifting focus

Today, CPG marketers are at a critical crossroad. Should they follow millennials to the more-shopped store periphery? Or should they focus on bringing these shoppers back into the center of store where margins are higher?

To understand this key shift in recent years, let’s take a closer look at why center of store sales have slipped.

Meet the millennials

» Spend little time grocery shopping (average visit: 13 minutes)
» Concerned with environmental issues
» Tech-savvy
» Tendency to explore alternative methods—different from their parents methodology

Sources: Mintel Young Millennial Dining Habits, November 2014; Mintel Perimeter of the Store
Inside the millennial mindset

Millennials—those born between 1982 and 2002—account for 25% of the US population and are a large driver for grocery store change. Attracting these consumers is key to fostering brand loyalty in the long run.  

Unlike recent generations of shoppers, millennials do not spend a great deal of time in the grocery store. In fact, on average, they spend only 13 minutes on a typical grocery store run. Thirty-nine percent of this time is spent around the perimeter while just 18% is spent at the center. That’s less than three minutes. The remaining time is spent navigating aisles and checkout.

Perceptions Are Critical

According to research, shoppers—particularly millennials—avoid the center of the store for a variety of reasons.

5. Mintel, Perimeter of the Store
Enjoy perimeter experience

First, they simply enjoy the experience on the perimeter more than in the center. That’s because this is where retailers invest in store displays, sampling and fresh food bars. There’s more action and stimulation for the shopper.6

Secondly, the overriding perception for many younger shoppers is that the products found in the center of the store are unappetizing and unhealthy.7 To these consumers, frozen and shelf-stable products are not as natural and nutritious as the “better-for-you” items found in the peripheral areas.

Product overload

Finally, the overwhelming number of products on a typical grocery store shelf can be intimidating and confusing. When you consider the short amount of time spent in-store by these shoppers, it’s easy to see why over-choice and commoditization get in the way of a brief, focused visit.

Effect on center store sales

Ultimately, these factors affect store profitability. In 2013, consumers spent more money at the center of the store overall, but perimeter sales grew more rapidly.8 In fact, center store sales have dropped from number two to number seven since 2013.9

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Top ten areas driving traffic

1. Meat 41.7%
2. Produce 39.6%
3. Deli/Prepared foods 38.5%
4. Dairy 37.5%
5. Beer/Wine/Liquor 25%
6. Frozen 24%
7. Center of store 21.9%
8. Fresh bakery 21.9%
9. Pharmacy 18.8%
10. Private label 18.8%

Source: Progressive Grocer Market Research 2015
Grocery store retailers who seek to reinvigorate the center of the store are not necessarily turning to new merchandising techniques or alternative store layouts. Rather, they are looking to CPG marketers to create new types of packaging that appeal to the millennial shopper.

Not Your Mother’s Pantry Shelves

Today’s consumers are rejecting the metal cans that have been a grocery store staple for more than a century. Not only do the cans look identical on retail shelves, they are associated with old-fashioned-type foods from a bygone era. An era when healthy diets were the exception rather than the norm.10

Three keys to packaging for millennials

1. **Functionality**
   Packaging should reflect how the product is used, from pourability to simpler storage.

2. **Convenience**
   Packaging must be easy to use and always enhance the consumer experience.

3. **Reclosability**
   Packaging should help consumers save time and preserve their product investment through reclosable technologies.
Instead, retailers are replacing the traditional metal cans—as well as paperboard boxes and glass jars—with more flexible formats such as stand-up pouches. This conversion offers a number of advantages in the center store environment:

**Disruption**

Unlike conventional packaging, flexible pouch formats create visual disruption on store shelves. Their limitless design possibilities stimulate consumer interest and engagement.

**Freshness**

Millennials often think of shelf-stable foods as flavorless and non-nutritious. Flexible pouches, however, help create the perception of freshness through innovative formats and designs. Whether it’s using transparent windows to show product or filling the broader billboard space with more vibrant graphics, pouch formats offer new possibilities that cans and jars cannot match.

**Merchandising**

Unlike cans, jars and bottles that tend to turn on the shelves, pouches ensure the billboard always faces front. This makes it easier to read and quicker for the consumer to select their product during a busy shopping trip.
## Grocery trip drivers

Global volume for food segmented by end-use (million pouches)

<table>
<thead>
<tr>
<th>End-use</th>
<th>Baby food</th>
<th>Meat &amp; poultry</th>
<th>Sauces</th>
<th>Soups &amp; stews</th>
<th>Vegetables</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>120</td>
<td>103</td>
<td>2,133</td>
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<td>2014</td>
<td>174</td>
<td>173</td>
<td>2,802</td>
<td>679</td>
<td>371</td>
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<tr>
<td>2019</td>
<td>254</td>
<td>279</td>
<td>4,227</td>
<td>1,175</td>
<td>602</td>
</tr>
</tbody>
</table>

**CAGR 2014–19**

- Baby food: 7.8%
- Meat & poultry: 10.0%
- Sauces: 8.6%
- Soups & stews: 11.6%
- Vegetables: 10.1%

Source: Allied Development Corp.
Rethinking the can, the box and the jar

The conversion from metal cans, paperboard, molded plastics and glass jars to flexible formats delivers an array of benefits to both consumers and retailers.

Brand owners can pursue a path to market utilizing established co-packer networks to augment their current brands. Upon successful commercialization, CPG’s can choose to invest in their own equipment to streamline their supply chain and more.

The good news is that making the conversion to pouches delivers considerable advantages to CPG customers in three key areas critical to every grocery store operation. These include center store growth, sustainability and warehousing.

SOURCE: Flexible Packaging Flexible Trends Study June 2015 Pg 20–28
Driving center store growth

Revitalizing the center of the store begins by giving consumers more reasons to spend time there. As noted, flexible formats provide a wide variety of benefits to consumers—from enhanced functionality, convenience and reclosability to more differentiated graphics and improved merchandising.

Another characteristic of pouches is that they may take up less space on the shelf. This allows retailers to display more product in-store—or devote more shelf space to marketing efforts.\textsuperscript{11}

At the same time, pouches deliver increased shelf life over traditional metal, glass or paperboard packaging formats. This aids in inventory control and reduces expenses.\textsuperscript{12}

Private label producers who might typically showcase their products on the periphery are finding that pouches allow them to maintain product quality and use the improved billboards to sway consumers in the center of the store. Ready-to-eat soups, curry sauces, juices and sports drinks, and cooked beans are just a few of the items now incorporating pouches.\textsuperscript{13}
Improving sustainability

Claims of environmentally friendly packaging are appealing to millennial consumers. That’s why flexible packaging such as pouches are gaining momentum with this key audience.

Pouches are designed for easy disposal and less landfill waste, but additional value lies in the fact that they consume dramatically less resources in manufacturing, warehousing and transportation than do their conventional metal and glass counterparts.

Because flexible packaging is exponentially lighter than glass, PET or aluminum, CPG marketers and private label producers can reduce emissions from more efficient transportation.

This environmentally-friendly format not only saves costs for the marketers, it gives consumers another reason to choose flexible packaging over conventional sources.

Source: Mintel Young Millennial Dining Habits Nov. 2014
Flexible packaging uses less resources

In addition to energy saved in manufacturing, flexible packaging contribute less weight during transport. This reduces emissions and saves significant energy too.

| 60 pounds of beverage | 50 pounds of glass | 6 pounds of Rigid PET | 3 pounds of aluminum | 1.5 pounds of flexible plastic |
Reducing shipping and warehousing expenses

Savings can be found in shipping and handling. Flexible pouches are lighter than metal cans or thick plastic bottles. Empty pouches can be shipped and stored flat so they take up a fraction of the space in a truck—significant savings when you consider $1.50 per mile per truckload. Finally, additional savings are reaped from less damaged product. Flexible packaging is simply more durable than glass, metal or plastic bottles.\(^\text{14}\)

\(^{14}\) Tampa Bay Times, "Plastics: Bye-Bye Bottles and Cans. Hello Pouch Packaging"
More ideas in flexible packaging start here

Looking for ways to drive center store growth by making the switch to flexible pouches? Amcor offers more than packaging. We have the market insights and creative ideas that can help you capitalize on today’s emerging trends. Take the next steps today:

1. Find a better way to boost consumer demand. Talk to a Amcor packaging expert to connect global insights and on-the-pulse consumer trends to spark creativity.

2. Accelerate your speed to market. Create a physical or virtual prototype with specialists who can help you bring the right product to market. Our Amcor Innovation Center is a one-stop, state-of-the-art destination in Neenah, Wisconsin, designed to facilitate collaboration, ideation, rapid prototyping, consumer testing and delivery. 

Amcor is here to help—contact us today