

# THE CENTER STORE REVOLUTION

## Innovation Drives Trips and Category Growth



### New shopper and trip-based research from Catalina shows that:

Center store categories remain strong at 60 annual trips per shopper, per store. This is down just one trip per shopper per year, despite the onslaught of ecommerce and discount retailers.

Center store is critical to the average grocery store as it represents:

**81%**  
of all Store Trips



**60** Annual  
Trips  
per Shopper

 **\$1,408**  
Yearly Spend per  
Average Shopper

Shoppers that Frequent  
Center Store

**99.5%**



**T**he latest shopper intelligence from Catalina reveals that the center store of grocery retail plays a vital role in fending off trip loss for everything from incumbents to ecommerce. Insightful new data shows that the center store is not dead—in fact, a new generation of product innovators and brands are reinvigorating the center store to remain relevant with changing shopper tastes and behaviors. It also highlights how these evolving shopper motivations are impacting volume and trips in a variety of important center store food and beverage categories.

Past Catalina findings show that the average shopper now ignores more than 99% of all UPCs in the store over a 12-month period, and across 27 million shoppers studied, no two shoppers are exactly alike in what they buy. New Catalina research demonstrates that to remain relevant and grow, today's brands and retailers must continue to understand and engage increasingly selective consumers around an ever-changing set of preferences and needs across price, product innovation, ingredients and other attributes.



\* The definition of center store for this study is defined as Grocery, Frozen, and Home Care categories. Tobacco and Alcohol are excluded due to local legal variances.



Catalina observes that brand-building opportunities exist for CPGs nimble enough to successfully leverage the rapidly shifting buyer dynamics of center store aisles. In response to changing preferences, niche subcategories are seeing increases in trips. In fact, small CPG brands, below \$1B in sales, are now the main drivers of new shoppers and new trips to the center store. Private label products, like ready-to-drink coffee, are also boosting sales in former stronghold categories for big CPGs.

The upside for retailers is that they have a major opportunity to drive growth and trips when they continue to evolve and adapt to shopper demand through new and renewed subcategories—all fueled by shopper relevant innovations.

### Let's take a look at some of the fast-growing subcategories in center store and the shopper profiles that are helping to drive that growth.

**Non-fat/low-fat/lite ice cream** experienced dramatic growth in 2017, as shown in the table at the end of this report. While the regular and premium ice cream category saw a decline in trips and dollars sales per store, this subcategory generated more than a half million new trips and a 67% increase in dollar sales. The average spend per shopper in this category was \$21.37 annually. However, shoppers across a variety of health-related segmentations, which Catalina has identified through a partnership with Label Insight, were much bigger consumers of the category.

Shoppers who seek out natural products across their food choices spent an average of \$46.99 in the non-fat/low-fat ice cream subcategory, while Low-Fat Shoppers spent \$48.87. However, two other segmentations of shoppers were even bigger consumers. Trans Fat Avoiders spent \$52.19, some 2.4 times the average, and Heart Healthy Shoppers spent 2.7 times the average, or \$56.76.

**Frozen dinner/entrée value priced** was another fast-growing subcategory with increased emphasis on healthy options. Trips were up 24%, and dollar sales were up 33%. The average shopper in this subcategory spent \$13.47. However, by understanding the underlying motivations of shoppers, Catalina was able to show that Heart Healthy Shoppers spent 43% more, or \$19.25.

**Snack-miscellaneous** is a fast-growing subcategory in snacks that stand apart from the ordinary salty categories. It includes veggie, bean and plantain chips, appealing to consumers looking for healthier alternatives. The average

shopper of these products spent \$8.01. GMO Avoiders, however, spent double the average.

**Water-sparkling/seltzer** was another growing category. The average shopper in this category spent \$17.71, but a variety of health-related consumer segmentations were much more avid shoppers in the category. Heart Healthy Shoppers spent an average of \$35.17; Low Glycemic Shoppers averaged \$38.45; Natural Shoppers spent \$35.01; Paleo Shoppers spent \$33.77; and GMO Avoiders spent an average of \$29.48.

In the **ready-to-drink coffee** category, the average shopper spent \$19.71. However, High Protein Seekers spent \$54.26, purchasing products like protein-enhanced, non-dairy and low sugar alternatives.

In the **candy-chocolate premium/box/miscellaneous** category, the premium chocolate bar makers have promoted many of their products as wheat- and gluten-free. Wheat Avoiders and Gluten Avoiders far outspent the average shopper within this category: Wheat Avoiders spent 2.5 times more and Gluten Avoiders spent 2.2 times more, or \$22.27.

As these findings highlight, some of the fastest-growing subcategories in the center store are appealing to new and changing consumer motivations. Being able to find the shoppers who share those motivations and introduce them to new and relevant products is a strategy that brands need to strongly consider.

### What are some brands that are winning over shoppers in the center store?

Los Angeles-based Eden Creamery's **Halo Top** developed an entirely new subcategory of low-sugar, high-protein ice cream focusing on new consumer needs and lifestyles. As a result, the company tripled its retail distribution in 2017, and it dramatically increased sales and trips per store.

Another fast-growing brand is **La Croix**, which is reinvigorating an existing category with uncommon but on-trend flavors like tangerine and coconut. Sparkling waters may also be reaping the benefit of an observed 3.8% decline in trips in the soda category.

These are just two examples of a continuing trend as retailers shift their merchandising strategies to address the new and more selective needs and preferences of today's shoppers.

The shift by grocery retailers to organic is well-documented. Once treated as a niche with its own dedicated section in the store, organic is now a mainstay across numerous categories. Supermarkets, mass merchandisers and discount grocery channels now represent a combined 25% share of organic spend, according to Nielsen, up 2 percentage points from two years ago.

Other top emerging center store producers for 2017 include Santa Barbara, Calif.-based **Bragg Live Food**

**Products.** Bragg is a brand that has enjoyed a substantial 46% boost in sales, a 43% increase in traffic and 41% more shoppers driven by the perceived health benefits of apple cider vinegar. **King's Hawaiian** is delivering growth through innovations with their sweet Hawaiian expanding into other forms like buns and rolls, growing penetration by 5.4% and increasing shopper frequency and dollars per trip by 2.6%.

Among top established center store brands, **Birds Eye** succeeded with new innovation platforms like Superfood Blends and USDA Certified Organic offerings in Steamfresh packaging. **Charmin** rolled out Charmin Essentials Soft to stake a claim in the value bath tissue subcategory, while **Campbell's** is expanding its center store snack portfolio with newly announced plans to acquire **Snyder's-Lance's**.

All of these companies are gaining a competitive edge by adapting to the changing role of the center store. Here are the top 4 ways you can do it.

## Center Store Growth Opportunities

### 1. Create Something New

The center store is more than relevant—it's an integral part of the grocery shopping experience. Catalina's data shows that more than 99% of shoppers who buy from the perimeter also purchase from center of store. But as Catalina's data also shows, they're often looking for something new. Whether it's healthier drinks, fresher frozen foods or exciting new flavors, consumer tastes never stop changing.

### 2. Be Transparent. Be Premium.

To remain relevant, the center store has evolved to address new consumer demands around sustainable, organic, GMO-free and other attributes. More and more, these attributes are associated with high quality in the minds of consumers and often command premium pricing.

Shoppers increasingly want brands to be transparent about what's in the products they buy. Retailers and brands that respond will be rewarded. As this study demonstrates, they can also now find the shoppers most likely to embrace specific product attributes and personalize their marketing to win new customers. Catalina has the ability to reach the right shoppers based on cross-category



preferences for 22,000 different product attributes and 250,000 ingredient definitions.

### 3. Command Shelf Space

Retailers who neglect the center store do so at their own peril. Make sure your unique product is part of the retailer's merchandising mix. Work with your marketing partners to demonstrate through purchasing data how a new product meets the changing preferences and buying behaviors of shoppers.

### 4. Showcase Your Advantage

Catalina estimates that more than 8 in 10 new CPG products fail within two years after introduction. Many may have missed their target in terms of consumer tastes and trends. Yet many others simply never find their targeted consumers. New products and brands need to find effective ways to showcase why they matter. They can do just that by using shopper purchasing data and personalization to identify and engage likely triers and repeat buyers via omni-channel advertising and promotions. **Catalina's New Product Accelerator**, for example, provides brands with the capacity to track sales as their product reaches individual stores, predict outcomes, and increase trial and repeat through hyper-targeted, personalized campaigns.

## Conclusion

Retailers are rethinking their merchandising throughout the grocery store to meet changing consumer demands. Representing 60+ annual trips per shopper per year, the center store is and should be a major part of that revitalization. Catalina's research shows that 78% of grocery trip baskets include center store items. Products that capitalize on center store strengths, successfully provide what today's shoppers are looking for, and effectively engage consumers based on their proven and constantly evolving purchase behavior are in prime position to be winners in this perennial grocery stronghold.

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Catalina pioneered the world's first one-to-one marketing services platform to influence consumer preferences and purchases by delivering the right message to the right audience in the right environment. Today, Catalina stands at the intersection of marketing, technology and data. We help retailers and brands gain deep insights into purchasing behavior and









































meaningfully engage more than 650 million shopper ID's around the world with personalized digital and in-store marketing solutions that drive trial, loyalty and sales volume.

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## Greatest Increases in Trips

Absolute Trip Growth Rank	Subcategory	Trips % Change		Dollar Sales % Change	
1	Ice Cream Non-Fat/Low-Fat/Lite		32.0%		66.9%
2	Frozen Dinner/Entrée Value Priced		24.2%		32.9%
3	Snacks - Miscellaneous		11.8%		14.9%
4	Water - Sparkling/Seltzer		5.5%		12.6%
5	Coffee - Ready to Drink Single Serve		15.5%		14.4%
6	Candy-Choc Premium/Box/Misc		6.7%		5.0%
7	Snacks - Dried Meat Snacks		10.7%		10.3%
8	Snack Cakes - Single Serve (<=3Ct)		9.1%		8.2%
9	Rolls - Fresh		4.7%		5.1%
10	Snacks - Popcorn - Ready to Eat		4.4%		6.5%
11	Candy - Breath Fresheners		7.7%		6.8%
12	Cleaners - Window & Glass		28.1%		32.9%
13	Snacks - Combo Pack		8.0%		8.2%
14	Gum - Sugarless		2.3%		1.9%
15	Vinegar		3.5%		9.0%
16	Candy-Choc Multipack/Giant Bar		3.7%		0.3%
17	Candy-Gummy/Jelly Bean (Non Choc)		5.0%		6.8%
18	Bath Tissue - Value		1.3%		3.7%
19	Snack Nuts - No Macadamia		1.2%		1.2%
20	Laundry Detergent Prem Price		3.1%		0.5%

Source: Catalina Comp Store Grocery Channel data, 104 weeks ending 12/30/2017

## Greatest Declines in Trips

Absolute Trip Decline Rank	Subcategory	Trips % Change		Dollar Sales % Change	
1	Bread - Fresh		-3.2%		-2.0%
2	Crackers - Crackers/Snack Crackers		-5.0%		-3.6%
3	Cereal - Ready to Eat		-4.6%		-4.3%
4	Pasta - Dry		-3.9%		-4.0%
5	Cookies		-2.9%		-1.2%
6	Snacks - Potato Chips		-2.9%		-1.4%
7	Bath Tissue - Premium		-10.2%		-6.2%
8	Soft Drinks - Cola Regular		-3.7%		0.0%
9	Ice Cream Regular & Premium		-3.3%		-3.4%
10	Soft Drinks - Cola Lo Cal		-4.5%		-0.9%
11	Frozen Veg-Bag		-3.2%		-2.9%
12	Toaster Pastries/Tarts		-13.2%		-11.1%
13	Paper Towels		-4.0%		-1.4%
14	Sports Drinks Incl. Single Serve		-4.9%		-5.3%
15	Snacks - Tortilla Chip Regular		-3.0%		-2.5%
16	Juice Drink - Single Serve All Other		-9.2%		-10.0%
17	Canned Vegetables		-2.7%		-3.0%
18	Bars - Cereal		-18.0%		-19.4%
19	Sugar - Granulated		-5.9%		-6.8%
20	Sauces - Italian Regular No Cans		-3.9%		-1.1%

Source: Catalina Comp Store Grocery Channel data, 104 weeks ending 12/30/2017