

## Promise on the Perimeter

While the recession brought more shoppers back to the center store, CPG companies and supermarket experts say it's the **perimeter** that offers the best opportunity to cut through the noise and capture the time-starved, on-the-go and increasingly knowledgeable customer's attention.

"In the center, a can of corn is a can of corn," says John Saccomanno, director of industry **marketing** for Duluth, Ga.-based NCR Corp. "But there's an opportunity to differentiate yourself with the **perimeter**."

Retailers such as Roundy's Supermarkets and Schnucks are investing in new stores with an emphasis on making their **perimeter** departments shopping destinations. This summer, Milwaukee-based Roundy's opened its first of two Chicago-area Mariano's Fresh Markets (the second is to be completed next year). "Shop Well. Eat Well. Live Well." is the store's tagline and it has an emphasis on fresh offerings in produce, meat, seafood, bakery and deli. Prepared foods are available for breakfast, lunch and dinner. The market also features a wine and spirits department, sushi bar and Italian-themed cafè.

Last fall Schnuck Markets, St. Louis, opened its new 74,000-square-foot Des Peres, Mo., location. According to a company release, it's unlike any other in the retailer's chain. The property features a Kaldi's Coffee Shop with WiFi, a cheese room with walk-in cooler and an adjacent wine-tasting bar, an aged beef cooler, a cooking demonstration station, a sit-down dining venue, a bistro grill with sit-down counter and an in-house artisan bread department.

While these types of amenities may not work for all grocery stores -- nor appeal to all customers -- those in the industry say there are growth opportunities to be had in produce, meat/deli, dairy and bakery. According to the Food **Marketing** Institute's latest data, **perimeter** departments (excluding frozen) accounted for about 42% of total sales in 2008 for conventional-format supermarkets in the United States. The key is overcoming the area's challenges -- perishable products; staff education and retention; shoppers' skills (or lack thereof) in preparing items; and food safety concerns -- while capitalizing on today's trends of eating and buying local, health and wellness, and more frequent at-home meal preparation.

### Center vs. **Perimeter**

"We're seeing **marketing** successfully leverage credence attributes on the **perimeter** -- characteristics of a product that are not visible even after consuming," says Frank Beurskens, CEO of Buffalo, N.Y.-based ShoptoCook. "For example, organic vs.

conventional produce, or imported vs. local. The **perimeter** is an emotional experience. Center store seldom is."

Also unlike the center, it's an area where marketers may have a bit more time to influence one's purchase decision. "The **perimeter**, especially produce, tends to be less of a 'shopping list' area than center store," explains Julie DeWolf, Sunkist Growers' director of retail **marketing**, Sherman Oaks, Calif. "People know they want to buy produce, but they don't necessarily know what they want to buy. Many of the decisions are made at store level and are dependent on what is in greatest supply at the best cost. They are looking for convenient ways to feed their families fresh, healthy food at an affordable price."

"Some of the highest dwell times," Beurskens adds, "occur on the **perimeter** as shoppers are both looking at ingredients while simultaneously imagining what they can create for dinner. A small percentage of shoppers already have that figured out before entering the store, but for most of us, we're doing it in the aisle."

To make the most of this opportunity, he says retailers should focus on meal solutions. Lakeland, Fla.-based Publix Super Markets leverages its Apron's Simple Meals and At Season's Peak programs. "Any time you can provide additional information or serving/cooking suggestions to our customers, it's a bonus," says Maria Brous, director of media and community relations.

For the Simple Meals program, a meal specialist prepares the meal of the week for customers to sample. They can then pick up a recipe card at a kiosk as well as all of the ingredients in an adjacent refrigerated cooler. At Season's Peak uses P-O-P to highlight when fruits and vegetables are at their best quality and flavor. Some Publix locations also feature extended prepared foods, such as the Mediterranean Oven (handmade gourmet pizza, wild mushroom ravioli and more) and Pacific Wok (Asian fusion dishes).

Matthew Enis, Supermarket News' fresh market editor, sees many opportunities with prepared food programs and thinks retailers are still trying to find the "sweet spot."

"There's a huge range of retail prepared food programs out there -- from delis that just offer sandwiches and rotisserie chickens with a couple of side dishes every night, to the hot-entrée bars and ethnic cuisines shoppers can buy at chains like Whole Foods, Wegmans and H-E-B Central Market," Enis says. "Many shoppers view the food from these departments as healthier than fast food, and less expensive than restaurant takeout, which presents a real opportunity during a down economy. For example, Wegmans, among other chains, has been offering \$6 meals, which include an entrée and two sides, since last year."

### **Interactive Solutions**

**Perimeter** programs can also come in the form of kiosks and interactive displays such as those from NCR and ShoptoCook. Whether it's an ordering kiosk in the deli or an

interactive display that provides recipes, coupons, product locations and more, all are designed to improve the shopping experience.

"Most **perimeter** categories are components of a meal and require some 'assembling.' Creativity and skill vary widely among shoppers when it comes to taking ingredients and assembling them into a meal," Beurskens says. "If a **shopper** doesn't know how to use pomegranate in a meal, they aren't going to purchase, regardless of price. To expand demand requires expanding the skill set."

This spring, ShoptoCook enhanced its AnswersHD customer interactive software suite with two new applications integrated into its touch-panel displays: a coupon delivery channel and a mobile rewards/loyalty program. NCR's Saccomanno says no matter the program, it's important to get employee buy-in prior to rollout and to have an introductory phase to let customers know about any new features.

Item-level traceability programs, such as from Redwood City, Calif.-based HarvestMark, allow consumers (via an iPhone or the company's website) to find out how, where and when their food was grown. Farmers can post information -- photos, food tips, recipes and more -- on their HarvestMark page and shoppers can provide feedback on their purchases. "By sharing the origin of produce, retailers can signal not only that the grower is a real farmer, but also that they are sourcing responsibly," says Elliott Grant, chief **marketing** officer. "Shoppers reward this transparency with increased trust in the retail brand."

Dairy also appears to have the potential for dramatic growth, according to a coalition formed by Dairy Management Inc., The Dannon Co. and Kraft Foods. Comprehensive testing and research found that there is an opportunity to increase overall dairy department sales by as much as \$1 billion over a one-year period. The group spearheaded a three-year "Dairy Department of the Future" research project from 2006-2009. Nationally, more than 340,000 shopping trips, 22,000 grocery store audits and 2,500 consumer intercepts were conducted and analyzed during the three years.

Test-and-learns and category and department reinventions were also executed in more than 1,000 stores, says Rebecca MacKay, vice president, sales and **marketing**, Dairy Management Inc. A Dairy Department Reinvention Activation Guide and a white paper ("The Future of the Dairy Department is Now!") have been developed as a result and debuted at the Food **Marketing** Institute trade show in May.

Eight **shopper**-centric best practices are outlined in the guide, says MacKay, with the goal of creating a department that encourages customers to shop -- not search -- for items; personalizes the engagement to create a feeling of "my store;" merchandises more meaningful freshness cues; and fosters active rather than passive interaction.

MacKay says the research found that shoppers are seeking assistance and engagement in the dairy department, "which can be provided in the form of non-verbal communication - not just about pricing and promotion, but the crucial role dairy can play in a healthy

lifestyle, and how dairy products can enhance meals and snacking occasions. They are looking for like products to be merchandised together, and they are looking for navigational cues to help find products that meet their specific needs." Improvements to the dairy department will have ripple effects, as the coalition found that customers who purchase dairy products spend more time and more money in the store than those who do not.

About 20 retailers have implemented some or all of the design principles and best practices in the activation guide, says MacKay. In addition, Dannon has been working with retailers since 2007 to reorganize and color-code the growing yogurt category, so shoppers can more easily find the products they want.

"Our research demonstrates that changes need to be made to this section to enhance the consumer experience as shoppers search for products that offer specific benefits based on who these products are designed for, whether it be children, people with digestive issues, people who are trying to manage their weight and others," says Michael Neuwirth, senior director of public relations. In response, White Plains, N.Y.-based Dannon developed a color code for each of its brands, such as green for Activia for digestive benefit and red for Danimals for kids. Prior to the function-focused color-coding, Neuwirth says, "it was a sea of white and product differentiation was a real challenge for shoppers."

### **Merchandising that Educates**

When it comes to **perimeter marketing** strategies, education and usage ideas often lead the way. For Sunkist, educating consumers about specialty varieties such as Moro oranges and Cara Cara navel oranges is done through displays and signage.

Three new display concepts, all launched at the beginning of this year, were designed with small footprints for placement throughout the store. The pop-up, which can hold three cartons of fruit, and the quarter bin (fits flush against regular display tables for a waterfall effect) are best used with lesser-known varieties.

"We have recipe booklets that can be put inside our various lemon, orange, specialty and grapefruit bags, as well as header cards and value-added usage tools such as the peeler pack, juicer or lemon faucet, which are also placed in-pack and given away as premiums to the consumer," says DeWolf. "Additionally, we started to use mobile **marketing** this year as a tool to educate consumers and share recipes, usage ideas and nutrition information."

Launched in June, Sunkist's lemon campaign encourages consumers via a Kwik Lok tag on lemon bags to text a message for information. "This is relatively new for us, but we are seeing retailer interest and definite consumer interaction with the mobile site," DeWolf says, adding that they intend to build mobile websites for all of the brand's varieties.

To increase sales in the meat case, Cargill also aims to educate shoppers and provide meal inspiration. "We've found that consumers often aren't sure which cuts to purchase and sometimes find the huge selection of products overwhelming," says Stephanie Moyer, senior market insight analyst on the category and consumer insights team at Wichita, Kan.-based Cargill. "To improve this, we focus on using recipe cards, on-pack stickers and tip sheets to help educate consumers regarding the different types of cuts and how they should be prepared as well as recommend what dishes they would be best used in."

Partnering with complementary products -- on the **perimeter** or not -- is another **marketing** strategy Cargill employs. Two recent co-promotions teamed its ground beef with Kraft Food's A.1. Steak Sauce and Heinz Ore-Ida potatoes.

Tom Kukuk, vice president of sales for Minneapolis-based Meyers, finds **perimeter** promotions are most effective when there is deliberate delivery: one promotional offer affixed to each package vs. a tear pad on a shelf rail. "We found in one study where a promotion was delivered on egg cartons that the retailer had a 37% increase in sales," he says of a Hy-Vee promotion that included eggs, cheese and bacon. "There was no discount on the eggs during the four-week promotion. Consumers purchased more eggs, and the on-pack offer and recipe were the only incentives."